Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	IS3.50	S. Arabia	Rls6.00
Belgium	BFr48	Italy	L1400	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	$L125.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rlt4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr8.00	USA	$1.00

FINANCIAL TIMES

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The crash: Paris sees the bright side, Page 2

World News

Soviet envoy visits Iran as ceasefire effort stalls

A SENIOR Soviet envoy held talks in Tehran at the weekend amid indications that Iran has not given its definitive response to the appeal for a ceasefire made by Mr Javier Perez de Cuellar, the UN Secretary General. Efforts to bring an end to the fighting in line with UN Security Council resolution 598 still appear deadlocked. Page 24

More Malaysian arrests

Malaysian authorities arrested one of the country's most powerful media personnel and two church activists, bringing to 91 the number of people held in recent crackdowns. Page 4

New premier for Syria

Syrian President Hafez al-Assad has accepted the resignation of long-serving Prime Minister Abdel Rauf al-Kasm and asked Parliamentary Speaker Mr Mahmoud Zu'bi to form a new Government. Page 4

Opposition in Dhaka

More than 150 people were injured in nationwide clashes with police as opposition forces staged demonstrations at government headquarters to increase pressure on Bangladeshi President Hussain Mohammad Ershad to resign and hand over power to a neutral Government by November 9. Page 3

Sri Lanka protects MPs

Sri Lankan President Junius Jayawardene is to allow the formation of a private defence force to protect members of his ruling UNP party. Page 6

Chirac in Israel

Mr Jacques Chirac, the French Prime Minister, began a three-day official visit to Israel, marking the re-establishment of normal relations between the two countries after many years' estrangement. Page 4

South Asian summit

Seven South Asian leaders representing a fifth of the world's population meet in Kathmandu today for the third conference of the South Asian Association for Regional Cooperation. Page 4

Tutu calls for truce

Archbishop Desmond Tutu pleaded for an end to the power struggle between the Zulu Inkatha movement and supporters of the United Democratic Front (UDF), as three more people died in continuing violence. Church groups say the violence has claimed at least 130 lives this year. Page 3

E. Berlin eases rules

East Germany launched some of the measures agreed during East German leader Erich Honecker's visit to Bonn, including an easing of limits on importing printed matter. The procedure West Berliners must go through to visit the East will also be simplified.

Protests in Madrid

Thousands of people held a demonstration in the centre of Madrid to demand that the Spanish Government renounce its five-year bilateral defence accord with the US. The peaceful demonstration was the second in a week.

$7.5m Ferruzzi ransom

A group which stole the body of Serafino Ferruzzi, founder of Italy's Ferruzzi group, from a cemetery in Ravenna are demanding L10bn ($7.5m) from the wealthy Ferruzzi family.

Basques deported

Venezuela deported three alleged Basque terrorists to Spain after interrogation by the security police. The three had previously been expelled from France for alleged ties to the terrorist ETA orgainisation.

Italian airport strikes

Strikes by ground staff at Italian airports prompted cancellation of dozens of flights at the weekend with further disruption planned for today.

Business Summary

Italy budget rejected by Senate committee

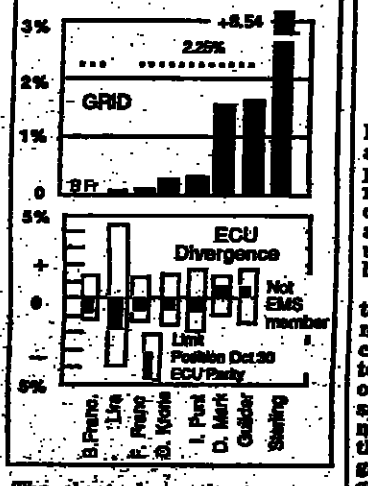
ITALIAN Government's 1988 budget legislation has been rejected by the Senate budget committee, which has suspended work on it and told the Administration led by Prime Minister Giovanni Goria to rewrite the proposal and impose more rigour on public spending. Page 24

THE EUROPEAN Monetary System will face a strong test this week if the dollar declines further, senior European bankers and officials said.

Belgian Finance Minister Mark Eyskens said yesterday that there would be "a crucial test of the solidarity between central banks." EC ministers agreed in September to increase central-bank co-operation.

Last week the Dutch guilder proved the strongest currency, closely followed by a surging D-Mark. As the dollar weakened money was attracted to the D-Mark, which rose to record highs in Paris and Milan on Friday. The lira and French franc were notably weaker.

Central banks intervened to try to stem the D-Mark's strength. The Bundesbank allowed call money to fall sharply in Frankfurt, and is expected this week to cut the interest rate at which it provides money-market liquidity.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), itself derived from a basket of European currencies.

TOKYO: The Nikkei index gained another 563.87 in Saturday's half-day session, closing at 23,328.91, the first time for six days that it had closed above 23,000. World Stock Markets, Page 43

US GOVERNMENT over-ruled a judge to approve a $1.5bn merger between USAir and Piedmont to form the country's fifth largest domestic airline. Page 28

PARGESA, Swiss holding company for the financial and industrial group led by Mr Albert Frere of Belgium and Mr Gerard Eskenazi of France, booked consolidated net earnings of SFr125m ($87m) in the first half of 1987, an advance of just under 21 per cent over the same period last year. Net earnings per share were SFr114.20 compared with SFr109.70. Page 28

CHAPELLE DARBLAY: control of the troubled French newsprint manufacturer is expected to change hands this week following the decision by Mr John Kila, the Dutch-Canadian industrialist who took control of the company three years ago, to abandon his 42 per cent stake in the group. Page 25

NORANDA, big Canadian resources and industrial group, said profits for the first nine months of 1987 have risen steeply to C$221m or C$1.35 a share on revenues of C$5.4bn. Page 28

TELEFONICA NACIONAL de Espana, which has been forced to call off a major rights issue following the sharp decline in its share price, has increased net profits by 27 per cent for the first nine months. Page 28

Gorbachev tries to calm differences among supporters

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL Gorbachev, the Soviet leader, is working to reconcile growing differences among his closest supporters as he prepares to make the keynote speech today at the 70th anniversary of the Bolshevik Revolution.

Mr Gorbachev is attempting to prevent the resignation of Mr Boris Yeltsin, one of the most radical supporters of his attempts to restructure Soviet society. It was officially confirmed at the weekend that the Politburo and the Moscow City Communist Party, which Mr Yeltsin leads, will discuss his resignation offer as soon as the anniversary celebrations are over.

Mr Yeltsin's departure may be averted, however, by the fact that it would be seen as a victory for covert opponents of Mr Gorbachev's *perestroika* (restructuring) reform programme whom Mr Yeltsin accused of frustrating his efforts to improve conditions in Moscow.

Mr Yeltsin's offer to resign and his semi-public row with Mr Yegor Ligachev, Mr Gorbachev's Number Two, also underline a real division with the ranks of senior reformers who were completely united two years ago against protegees of Mr Leonid Brezhnev, the former Soviet leader. As the latter are removed, a new division has opened up between radical and cautious supporters of *perestroika*.

Mr Gorbachev may also argue that greater freedom to differ is now acceptable.

Greater democracy within party and government bodies is also likely to be the theme of Mr Gorbachev's speech today, which will sum up the achievements and failures of the Soviet Union in the 70 years since the Bolsheviks took power in 1917.

Principle points of interest in the speech will be Mr Gorbachev's assessment of three of his predecessors as Soviet leader: Stalin, Khrushchev and Brezhnev. He may also publicly rehabilitate senior Bolshevik leaders such as Nikolai Bukharin, who was shot during the great Stalinist purges of 1937-38.

Judging by a new book by Mr Gorbachev published at the week-end entitled "Perestroika and the New Thinking for Our Country and the Whole World", the Soviet leader's assessment of Soviet history, particularly the key period from 1929-45, is likely to be positive.

On the failings of Soviet society today, Mr Gorbachev admits that a pre-crisis situation had developed in the late 1970s and early 1980s, but asserts that Soviet system has its own dynamic through which it can adapt to these problems.

But the difficulties in doing so - and the frustrations and divisions this is causing in the Soviet leadership - has already been heavily underlined by Mr Yeltsin's offer to resign.

If his resignation is accepted, then the key question will be political complexion of his successor.

If he is much more conservative than Mr Yeltsin then this will be taken as a sign that, thanks to the Moscow party leader's outburst, the more conservative leaders have won a significant victory.

Deep divisions slow effort to cut US budget deficit

BY STEWART FLEMING IN WASHINGTON

NEGOTIATORS in Washington appear to be making only slow progress towards their goal of reducing the Federal budget deficit for 1988 by around $23bn, against a background of continuing partisan wrangling from both sides of the political aisle.

After a week of talks between top members of the Reagan Administration and senior Democrats and Republicans on Capitol Hill, Mr Bill Gray, chairman of the House Budget Committee, said on Saturday: "I think we made some progress." He added that since the negotiations began on Tuesday both sides "are getting a little bit more pragmatic".

But there are still deep divisions about whether even the modest $23bn of deficit reductions could be reached. Also, there is no evidence to suggest movement towards the multi-year deficit reduction package, which many on Wall Street are looking for as evidence that Washington is committed to a serious and continuing effort to prevent the $148bn deficit recorded in 1987 from rising again in the 1988 fiscal year, which began last month.

Some in Washington fear that the improving tone on the Wall Street stock market at the end of last week will tend to reduce the pressure on the budget negotiators.

A new element could be injected into the talks this week by the Federal Reserve Board, whose Open Market Committee will meet tomorrow to chart the Fed's monetary policy over coming weeks. The Fed has been vigorously injecting money into the financial markets to try and maintain liquidity, and calm the turbulence after the plunge in share prices two weeks ago.

Fed Governor Wayne Angell indicated on Friday that he does not believe a decision should be made which would imply that the shift to easier money is long-term. It is a judgement which seems to suggest he at least would not favour a reduction in the Fed's discount rate to match the declines in short-term market rates of the past two weeks.

Governor Angell told a House sub committee that there is no hard evidence yet that the economy is beginning to slow as a result of the stock market turbulence and he expressed reservations about letting the dollar fall freely in response to market pressures. Some in Washington are urging that the Fed should begin to fight the threat of recession now, by maintaining its easier monetary stance and stimulating exports by letting the dollar drop sharply.

President Ronald Reagan in his weekly radio address on Saturday commented on the budget issue but only after first emphasising the importance he attaches to the confirmation of his nominee to the Supreme Court, Judge Douglas Ginsburg. On the deficit he stressed his determination to see spending cuts which "like diamonds must be forever".

Editorial comment, Page 22; Lex, Page 22

Thatcher furious that Bank gets credit for BP package

BY PHILIP STEPHENS AND JOHN HUNT IN LONDON

A HEATED row over the allocation of credit between the UK Treasury and the Bank of England for last week's successful support package for the £7bn ($12bn) sale of the Government's stake in BP continued to simmer last night.

Treasury and Government officials made it clear that Mr Nigel Lawson, the Chancellor of the Exchequer, and Mrs Margaret Thatcher, the Prime Minister, were still furious at media reports on Friday and Saturday which gave credit for the operation to the Bank.

The dispute over who originated the scheme to provide a "floor price" for the partly-paid BP shares when trading started on Friday appeared to suggest a serious rift between the Treasury and the Bank.

Mr Lawson, however, indicated that, although he was incensed at reports that the rescue package had been imposed on him, he did not consider that they had undermined his relations with Mr Robin Leigh-Pemberton, the Bank Governor.

The Bank, for its part, attempted to calm any tensions by emphasising that under the terms of the agreement between the Government and the BP underwriters it had been obliged to play a neutral role. It came to an independent conclusion which included the suggestion that the Treasury should set a support price of 90p each for the shares.

A Bank spokesman said that it had completed its task on Thursday evening when it offered its assessment to both the Treasury and the underwriters. The subsequent decision to go ahead with the issue, with a support price of 70p, had been Mr Lawson's entirely.

The Treasury view yesterday, however, was that officials at the Bank appeared to have briefed journalists to the effect that Mr Lawson had taken on board its scheme and was now claiming the credit for it. The Chancellor was said to have been particularly outraged by a television news report which appeared to indicate further he had only accepted the scheme after pressure from Mrs Thatcher.

Officials said that the idea of a floor price for the BP issue had been seriously discussed within the Treasury before the Bank's assessment had been received. Obviously annoyed, they added that the Bank's view had arrived so late that, while it had been considered in line with the Treasury's legal obligations, it had not been relevant to the final decision.

The 90p support price would in any event had represented a bail-out of the underwriters which was not acceptable to the Chancellor or to the Prime Minister. The lower support price, which permitted orderly trading, had saved the taxpayer considerable amounts.

As the almost unprecedented briefing and counter-briefing continued yesterday, however, the Bank denied that it had attempted to claim the credit. Confusion may have arisen because Mr Lawson's final package had been close to the Bank's independent judgement, but this did not preclude the possibility that the Treasury had been working on a similar scheme itself.

World markets in turmoil, Page 2; UK acts to limit currency losses, Page 24.

Brokers confident on London settlements

City of London brokers and stock exchange officials yesterday expressed confidence that the exchange's settlements system would function normally today despite big losses expected as traders settle accounts for the past two weeks of trading. Page 19

Deng Xiaoping: will still be seen as the country's leader

Deng triumphs over old guard critics of reform

BY ROBERT THOMSON IN PEKING

DENG Xiaoping, the Chinese leader, and his reformist supporters secured a major triumph yesterday when more than 90 aged Communist Party Central Committee members were swept from office.

The full extent of the reformist victory will not be revealed until today when a new 20-member Politburo is appointed. But yesterday's widescale departures are the end of a long campaign by the reformers to introduce an orderly retirement system and to remove conservatives blocking the path of change.

The large number of resignations will instantly change the face of the country's geriatric-ridden leadership and ease the political pressure on younger officials trying to implement the economic reform programme.

Deng, himself aged 83, was among those to use the party's 13th congress to retire from both the Central Committee and the Politburo - which lost nine members in all - though it is clear that he will continue to be regarded by his comrades as the country's leader. He is also likely to remain chairman of the Central Military Commission, a critically important job which oversees the People's Liberation Army (PLA).

A party spokesman told a press conference yesterday that Deng's authority comes from the "correctness of his policies and ideas" and not from his titles, which, in theory, opens the way for other elderly officials to continue their involvement in politics despite their retirement.

That possibility is also raised by the fact that several senior conservatives have places on the Central Advisory Commission, away from the front line of party affairs, but still posts that will provide them with a forum for their views. Although more than 90 officials went from the 209-member Central Committee, they have not all been replaced because it has been slimmed down to a 175-member body. It will meet today to select the Politburo.

The Central Discipline Inspection Committee, which has consistently produced reports highlighting negative aspects of reform, has been cut from 129 members to 69, and lost its chairman, Chen Yun, 82, a figurehead for conservative thought.

As well as the numbers, the names are a victory for Deng, as several outspoken critics of reform have been pensioned-off, including President Li Xiannian, 82; Chen Yun, 82, a conservative economist who has been on the Politburo on and off since 1945; two cultural commissars, Hu Qiaomu, 75, and Deng Liqun, 72, both of whom had key roles in a campaign against Western influence this year; and Peng Zhen, 85, who was most prominent during the early weeks of that campaign.

The appointment of the new Politburo members and, in particular, the members of the Politburo Standing Committee, the party's five-member power elite, will be crucial in determining the long-term outlook for reform, as yesterday's resignations could be balanced by the elevation of several younger conservatives to key posts.

While the party claims that the new Central Committee was decided by a ballot at the 13th congress, which opened on October 25 and ended yesterday, the important leadership decisions were made long before the congress began and the 2,000 delegates were mostly go-

Long Marchers at road's end, Page 3

Continued on Page 24

Socialists in France accused on arms for Iran

By Paul Betts in Paris

FRANCE's opposition Socialist party has been accused of receiving funds from the illegal sale of arms to Iran by a French company between 1983 and 1986, with the alleged complicity of high-ranking Defence Ministry officials.

Leading Socialist officials were quick to deny any wrongdoing yesterday after the latest disclosures by two French weekly news magazines over what has been dubbed France's Irangate scandal.

They accused the political right of engineering the latest scandal as part of the increasingly bitter run-up to next spring's French presidential elections.

The latest disclosures are based on the findings of a confidential report on the Iranian arms sales by Mr Jean-Francois Barba, the controller-general of the French armed forces. The magistrate investigating the illegal arms sales is now expected to seek the declassification of the report to enable its findings to be used by the judiciary.

The report allegedly claims that the military hierarchy at the time and senior members of the Defence Ministry, including Mr Jean-Francois Dubos, one of the closest advisers of Mr Charles Hernu, the former Socialist defence minister, were aware of the illegal arms sales. It also apparently claims that President Francois Mitterrand had been informed about the arms sales back in May 1984.

The affair, which came to light just before last year's legislative elections, involves the supply of some FFr709m ($119m current) worth of arms and ammunition to Iran by the Luchaire company between 1983 and 1986 despite a French Government embargo on such sales. A formal complaint for breaching the embargo was tabled in March 1986, 10 days before the elections, by Mr Paul Quiles, the Socialist defence minister who replaced Mr Hernu after his resignation following the Greenpeace scandal.

But the latest revelations allege that about FFr40m in commissions were paid as part of the illegal arms sales and that some of these commissions were paid to the Socialist Party. Moreover, the new disclosures appear to suggest that some of the explosives sold to Iran were similar to those used in last year's terrorist bombings in Paris.

Mr Hernu denied he had been involved in any illegal arms sales to Iran

Soviet envoy in talks with Iranians, Page 24

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OVERSEAS NEWS

Israel cannot stop investors' panic

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Government was compelled to pay out $815m on Friday to the holders of bank shares guaranteed by the state after the Tel Aviv stock market crash of October 1983. Two thirds of the maturing shares were cashed in, despite strenuous efforts to persuade the public to hold on for a further two years.

Concern among small investors, panicked by the plunge in the Tel Aviv stock exchange the previous week, in line with world markets, prompted a larger than expected number to cash in their shares. If it had not been for this external influence, bankers estimate that the pay-out could have been held to under $600m.

The silver lining for the Israeli economy was that a large percentage of the proceeds from the redeemed 'arrangement shares' were ploughed back into other, newly created pension schemes or else into other stocks. According to one senior figure from the regulatory authorities, these reinvestments had helped cushion the decline in the local market.

Under a new scheme unveiled by the financial authorities, those shares which were successfully recycled last week have become, in effect, tradeable bonds, carrying a 9.5 per cent yield and maturing in two years' time.

Last week's pay-out represents the second stage of the commitments the Israeli government took upon itself four years ago, to prevent the impending collapse of the comercial banking system. Shares worth nearly $7bn at their pre-crisis level were guaranteed at 104 per cent of their US dollar value, for final redemption in October 1988. In October 1985, pensioners were permitted to cash in their holdings, resulting in the payment by the Treasury of $660m.

The biggest challenge for the Bank of Israel will come in a year's time when, by current estimates, some $3.7bn worth of shares will fall due for redemption. In contrast to the first two rounds, some two thirds of this amount is believed held by banks and other corporate investors.

World Markets in Turmoil

Paris sees bright side of crash

BY GEORGE GRAHAM IN PARIS

WHERE OTHERS talk of crash and crisis, the French Finance Ministry is cock-a-hoop about one aspect, at least, of the plunge in the stock market.

The market's turmoil has virtually killed the accusations of "cronyism" that had built up over the selection by Mr Edouard Balladur, the Finance Minister, of friendly companies to form the "hard core shareholders" of newly privatised companies.

With shares in most of the ten French companies privatised over the last nine months dropping to well below their flotation price, the offer of a place in the "hard core", at a premium of 5 per cent or more to the price paid by ordinary shareholders, has not seemed such a gift.

Balladur: brakes on sell-offs

In fact, the greatest gift of all may have been made to Mr Jack Frances of Groupe Victoire and Mr Jean-Marc Vernes of Beghin-Say, two names that would have fuelled the "cronyism" polemic if they had appeared in the hard core of Compagnie Financiere de Suez, the just-privatised investment and banking group.

They are now free to buy stakes in the company at a level perhaps 10 per cent below the price of FFr333.68 paid by the official hard core, and without the usual hard-core investor's obligation not to sell for at least two years - when Mr Balladur finally allows the shares to be traded.

Already a different flaw has appeared in the policy of choosing a hard core as a defence against possible unfriendly shareholders. Other investors, not selected by the Minister, have take the opportunity provided by the stock market's plunge to accumulate shares in a number of privatised companies, including the country's fourth largest bank, Societe Generale.

Societe Generale acknowledges that there has been a "broadening" of its hard core in the last few stock market trading sessions. A new shareholder with a stake of over 3 per cent is believed by dealers to have appeared on the stage.

In other cases, such as the television channel TF1 or the Banque du Batiment et des Travaux Publics, existing members of the hard core have decided to increase their stakes.

At the Finance Ministry, officials believe the acquisitions that have emerged so far have been positive, but executives at some of the privatised companies feel that the fragility of the hard core as a defence against hostile raiders has been shown up.

Mr Balladur has shown his sensitivity to questions privatisations by immediately slamming the brakes on operations in progress. Unlike his British counterpart, Mr Nigel Lawson, he stopped the offer for sale of Matra, the defence and electronics group, five days before it was due to open, and has delayed the start of trading - originally set for last Thursday - in Suez, whose offer period had already ended before the stock market collapse two weeks ago.

This decision has clearly displeased Mr Renaud de la Geniere, Suez's chairman and former governor of the Bank of France, who would have preferred his company's shares to open at a substantial discount to the offer price rather than not to be traded at all.

It has also irritated many French investors who had wanted to unwind their Suez holdings as soon as they could, although bankers say that overseas investors have taken the delay calmly.

Finance Ministry officials are now considering whether it will be possible to add an option of partial payment in a bid to sweeten the pill for small investors, and potential voters, who are not accustomed to seeing privatisation shares open at a discount.

At Suez, executives are relieved that the Finance Ministry appears at least to have ruled out the possibility, briefly considered, of cancelling the entire operation. They hope dealing will be allowed to start on Tuesday or Wednesday – the Paris market is closed today for All Saints Day.

West Germany rejects calls to boost economy

BY ANDREW FISHER IN FRANKFURT

THE West German Government yesterday rejected calls for further measures to stimulate its economy, with Mr Martin Bangemann, the Economies Minister, warning against overreaction to the dollar's slide.

He said there was no reason to bring forward or increase the tax cuts planned for next year and 1990. Nor did Germany need to bring down its key interest rates. However, short-term money market rates dropped sharply last week.

The reaffirmation of the Government's intention to sit tight during the turbulence on world markets followed a strong call last week for more positive action by one of the country's leading commercial bankers.

Mr Alfred Herrhausen, co-chairman of Deutsche Bank, said politicians should take the market unrest seriously. Convincing action by the Group of Seven top industrialised nations would create a new basis for confidence.

The German contribution should include a clearer downward trend in interest rates and an advancing of the 1990 tax cuts or a further increase in those scheduled for 1988. He also argued for deregulation in the retail, transport and telecommunications sectors.

Mr Bangemann said that despite the turmoil on world financial markets, the German economy would grow in real terms by between 2 and 2.5 per cent next year.

Today's autumn report from Germany's five leading economic research institutes is expected to forecast growth of around 2 per cent for next year, with a weakening in the second half, after 1.75 per cent in 1987.

Although Mr Bangemann opposed cuts in key interest rates - the discount rate was cut to 3 per cent in January - the Bundesbank has nudged short-term rates lower in recent days by adding to market liquidity.

This week, therefore, the closely watched rate on the Bundesbank's securities repurchase deals, a method of commercial bank refinancing, is expected to fall again from the 3.80 per cent of two weeks ago. It was the earlier rise in this rate to 3.85 per cent that angered Mr James Baker, US Treasury Secretary, in mid-October.

After last week's rate trend, said Mr Peter Pietsch, an economist with Commerzbank, "the repurchase rate must go lower". The bank has been critical of the upward move in short-term rates tolerated by the Bundesbank to try and check faster than targeted money supply growth.

Options trader takes over troubled Dutch jobber

BY LAURA RAUN IN AMSTERDAM

MELLEGERS and Van Den Elsaker, the Dutch hoekman (jobber) that plunged into difficulties during the recent stock market crash, has been taken over by Amsterdam Options Traders (AOT), the leading Dutch market maker in options.

The acquisition of Van Den Elsaker, one of Amsterdam's biggest jobbing firms, involves about Fl. 10 million, including fresh capital for the beleaguered jobber, according to Mr Jan Dreesesn, general director of AOT. Mellegers and Van Den Elsaker's membership in the Amsterdam stock exchange was withdrawn and it was forced to halt business on October 22 after credit was stopped by Kas Associatie, the bank catering to the jobbing industry.

"The hoekman activities form a very important expansion for AOT, which until now has been limited to market making activities on the most international options exchange, including Amsterdam, London, Chicago, New York and Paris," AOT said in a statement. All 10 of Mellegers' employees are expected to

The acquisition will enable AOT to hedge its options positions more efficiently on the bourse while allowing Mellegers to do the same with options.

Paris agrees to Northern Telecom investment plan

BY PAUL BETTS IN PARIS

THE FRENCH Government has given the green light to Northern Telecom, the Canadian telecommunications group, to invest in a telecommunications manufacturing plant and research centre in France.

The Canadian group's French investment plans had faced strong opposition from several French telecommunications groups including Matra, SAT and Jeumont-Schneider. The French companies argued that Northern Telecom's decision to manufacture in France private telephone exchanges and other systems for the French business market would put further pressure on an already crowded market.

However, Northern Telecom's decision to set up its new manufacturing facility in the depressed industrial steel region of Lorraine clearly tilted the government on its side. Moreover the Canadian company will also have two French partners as shareholders in its French venture.

The French venture will be 55 per cent controlled by Northern Telecom with Worms and Compagnie holding a 10 per cent stake and Compagnie Generale d'Industrie et de Participations, owning 35 per cent.

The investment represents Northern Telecom's efforts to develop a bigger presence in the European telecommunications market.

Kidnappers issue warning to Irish police

A RENEGADE Irish nationalist terrorist who kidnapped a Dublin dentist said in an newspaper interview on Sunday that his captive would be killed if any of the kidnap gang was injured by police, Reuter reports from Dublin.

The kidnap victim, Mr John O'Grady, son-in-law of Mr Austin Darragh, the Irish millionaire, was seized from his luxury suburban home almost three weeks ago by four masked gunmen who demanded a I£300,000 ($450,000) ransom.

The kidnap gang chief, known as "The Border Fox," contacted the Sunday Tribune newspaper to say that Mr O'Grady was alive and well and that he would soon be in touch with the family again about the ransom demand.

"The Border Fox" suspected by police of involvement in up to 30 murders, said attempts had also been made to reach him by a London-based firm which specialises in negotiating kidnap ransoms.

Last Monday, the gang shot its way out of a police cordon thrown round an isolated cottage near Cork, southern Ireland, where they were hiding with their handcuffed victim in a truck container.

He said the kidnappers were all members of a breakaway group from the extremist Irish National Liberation Army (INLA), divided by bloody internal feuds this year.

They badly needed the ransom money to buy arms for their fight against the British in Northern Ireland, he added.

SOVIET UNION 'DRIFTING INTO CRISIS'

Gorbachev turns spotlight on his critics

BY OUR FOREIGN STAFF

MR MIKHAIL Gorbachev's sharply critical analysis of socialism as practised in the USSR, published in Moscow yesterday, has intensified the spotlight on what is becoming the most visible political struggle the system has ever witnessed.

The Soviet leader's 270-page book, called Perestroika (Restructuring) And New Thinking For Our Country And The Whole World, warns that the Soviet Union is drifting into crisis, that its society is in a state of moral disintegration, and that strong-arm tactics by the leadership are no way to set things right.

Rather he argues, the party must learn to stand aside and let the people participate in the decision-making process. They are quite capable of taking decisions on major issues confronting Soviet society, he adds.

Socialism is not intended to divide society into those who give orders and those who carry them out. It is vital to involve the individual in all aspects of policy.

Extracts from the book, apparently written during Mr Gorbachev's recent extended absence from public life, and to mark the 70th anniversary of the founding of the Soviet state, were published in Moscow last week and in several Western journals and newspapers over the weekend.

The Soviet leader's detailed apologia for his efforts to reform the machinery and operation of party and state is likely to provide many targets for opponents of reform, bringing the debate further into the open.

Whether the Soviet leader intended to flush his critics into the open, as has happened in the current ructions within the party leadership, is not clear. But the book appears designed not only for the international readership at whom the author claims it is aimed, but also for the enemies of reform - those who are 'used to working in the old ways', as he describes them.

An extract from the book published in the West German magazine Der Spiegel says that Mr Gorbachev insists that his reforms have evolved from the needs of the Soviet people. They are not being imposed by the Central Administration and the party elite, but spring from a deeper necessity, he writes. Soviet society is ripe for change and unless it is allowed to change it will drift further into social economic and political crisis.

The magazine quotes Mr Gorbachev's scathing criticisms of the corruption and moral decline of the Brezhnev years. 'We have witnessed the gradual disintegration of public morals. The dignified feeling of solidarity of the heroic times of the revolution, the first five-year plans, the Great Patriotic War, and the post-war rebuilding began to lose their importance,' he writes.

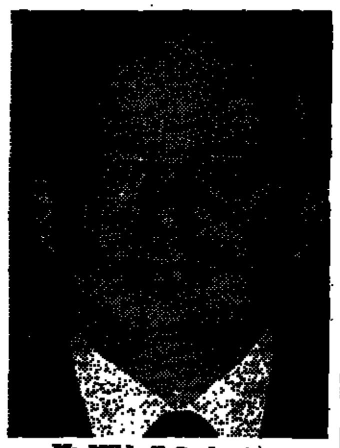
'Alcoholism, drug abuse and criminality rose. The party leadership had let the reins loosen, everyone recognised the stagnation in the leadership as problems amassed faster than they could be solved. The logical conclusion was that our country was drifting into a crisis.'

Commenting on the opponents of his reforms, Mr Gorbachev says: "Bombs are not exploding and bullets are not flying, but there is resistance.

"We have no political opposition, but this does not mean there is no confrontation between those who for various reasons, do not accept reform.

"Conservatism does not want to give way - but it must be overcome if we are to meet the long-term interests of society and the individual.

The themes of the book are expected to form the core of a major speech which Mr Gorbachev will deliver in Moscow later today to launch the 70th anniversary of the Bolshevik Revolution.



Mr Mikhail Gorbachev

White House optimistic on arms pact

REAGAN Administration officials continued to express optimism about the prospects for a strategic arms accord with Moscow to follow the intermediate range nuclear forces (INF) elimination deal which now seems assured. Stewart Fleming reports from Washington.

But leaders on Capitol Hill are sceptical that the much more complex and militarily significant strategic arms agreement could, or even should, be pushed forward rapidly in the few months left in President Reagan's term.

Mr Frank Carlucci, White House National Security Adviser, said: "There is currently a change in tone, a change in atmosphere', in the talks with Moscow on strategic arms.

However, Senate minority leader Robert Dole (Republican) said he would 'not get carried away with' White House optimism about reaching a strategic arms accord by the middle of next year.

He expected lengthy hearings on INF.

Poles salute Soviet victims

POLAND'S Communist authorities yesterday broke a long-standing taboo and mounted a military guard of honour at a monument commemorating their countrymen who fell fighting the Red Army in 1920, Christopher Bobinski reports from Warsaw.

Soviet dissident flies to Vienna

THE Soviet Jewish dissident Vladimir Lifshits arrived in Vienna yesterday on his way to Israel after having waited six years for an exit visa and serving 14 months in a labour camp.

Mr Lifshits, 46, a mathematician, was sentenced to three years' forced labour

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Arms ship captured off Brest

A MASSIVE cache of arms found by customs officers on board a coaster crewed by Irishmen was booby-trapped and had to be made safe by the French navy, a local official said on Sunday, Reuter reports from Brest.

Guy Sturm, regional director of customs, told reporters that the Panamanian-registered Eksund was carrying 150 to 200 tonnes of arms, including rocket-launchers, mortars, heavy and light machine-guns, assault rifles and ammunition.

Customs officers checking the hold found plastic explosive primed to blow up if the cargo was tampered with, Sturm said. The Eksund was taken to a naval base in Brest harbour to be made safe.

French customs seized the coaster on Friday evening off the French coast after tracking it for three days. The five-man Irish crew was still being questioned by police in Brest.

Sturm said he could not confirm that the arms were destined for the outlawed Irish Republican Army (IRA), fighting to oust Britain from Northern Ireland.

'There is nothing to support the IRA hypothesis. But it seems clear that these arms were destined to serve international terrorism,' Sturm said.

France has asked Irish police to check passport details of the five men detained. Police sources in Dublin said two of the men were known to police but not for any Irish republican guerrilla connections.

Warning on Romania economy

BY JUDY DEMPSEY IN VIENNA

MR NICOLAE CEAUSESCU, the Romanian President and Communist Party leader, has called for "resolute measures" to be taken to overcome shortcomings in the country's economy.

Speaking at a meeting of the executive political committee of the Communist Party, Mr Ceausescu said that industrial production in the first 10 months of this year had improved compared with the same period last year, but was still not satisfactory.

He called for better organisation of the labour force, modernisation of the country's technology and "order and discipline to be strengthened in every department."

During the meeting, Mr Ceausescu singled out ministries as well departments and enterprises of county party committees for shortcomings in failing to fulfill the plan.

Several ministers have already been dismissed for alleged incompetence. In September, 12 ministers were replaced including a deputy prime minister and the minister for electric power.

Brazil, banks may reach accord soon

By Alex Nicoll

BRAZILIAN officials and bankers continued meeting over the weekend amid speculation that they would soon reach an interim agreement, partially ending Brazil's eight-month-old interest payments moratorium.

The deal which has been under negotiation in New York for more than a week, may be announced to-day, although bankers said yesterday there were still differences between the two sides. Brazil and the banks are expected to make payments into an escrow account on which banks would receive interest.

The agreement would be designed to avert a downgrading of Brazilian loans by US regulators who are meeting in Washington. It would also be a step towards an eventual new loan and debt rescheduling agreement.

Soviet editors detained by police

TWO editors of an independent Soviet magazine, launched to test the limits of Kremlin leader Mikhail Gorbachev's openness policy, were detained by police on Friday, dissident sources said.

A third man who helped out on the magazine, Glasnost, had disappeared and had apparently also been arrested, they added.

Sergei Grigoryants, chief editor of Glasnost, was released three hours after police arrested him at his home, the sources said. No charges were made against him.

Lev Timofeev, another editor, was still being held by police, the sources said. Andrei Shilkov, one of two Glasnost helpers briefly detained earlier this month, had disappeared and it seemed that he too had been arrested, they added.

The magazine was launched this summer by former political prisoners.

Recently the Soviet media have started attacking it. Grigoryants, who like Timofeev served a labour camp term for underground publishing, has been warned his activities could lead to fresh prosecution.

Basques deported

VENEZUELA deported three alleged Basque terrorists to Spain after they had been interrogated by the security police, the newspaper El Nacional reported, AP writes from Caracas.

The three, Mr Joaquin Izeta, Mr Juan Carlos Garcia Gaztelu, and Mr Ignacio Lopez de Vergara, were put on a flight to Madrid on Saturday after spending the night at Disip (security police) headquarters, El Nacional reported.

The men, a laboratory technician, a merchant marine captain and a workman, arrived in Venezuela on October 7 after being deported from France, where they had lived for the past two years.

The three were expelled from France for alleged ties to the terrorist Eta. In an interview published this weekend in El Nacional, they said they had spent four days in French jails before being deported to Venezuela.

Spanish pacifists demand end to US defence pact

TENS OF thousands of pacifists from all over Spain marched through Madrid for the second Sunday in succession calling for an end to a bilateral defence agreement with the US, Reuters reports from Madrid.

The State Pacifist Movement told the march: "We don't want any bases, any military installation or warlike machine or a single soldier on our territory.

"We don't want to be allied to the United States' aggressive political intervention - but we're not anti-North America . . . We want neutrality."

Last week, some 20,000 protesters rallied in Madrid in a similar demonstration demanding the removal of the four US military bases in Spain and Spanish withdrawal from the North Atlantic Treaty Organisation.

At least 70,000 pacifists joined yesterday's march.

The 34-year bilateral defence agreement expires next May and Spain has threatened to rescind it within the next two weeks if no agreement is reached on reducing the 12,500 US troops stationed in Spain.

Talks between Washington and Madrid are scheduled to take place on Thursday and Friday.

Spain is also seeking removal of 72 F-16 fighter bombers from the Torrejon airbase near Madrid, which the US sees as essential for the security of Nato.

Spaniards voted to stay in Nato in a referendum in 1986, but their country does not form part of the Western alliance's military command structure.

Bangladesh holds over 4,500 in crackdown

By Sayed Kamaluddin in Dhaka

MORE THAN 4,500 people, including four MPs and more than a dozen prominent Bangladesh opposition leaders, have been arrested in recent days and four people have been shot dead by police as the main opposition alliances increase their pressure on President Hussain Mohammad Ershad's regime to resign before next Monday.

The regime reacted swiftly by cracking down on key opposition leaders but to no effect. The demands for a handover of power to a neutral government increased, resulting in orders for widescale arrests of opposition activists.

The multitude of opposition alliances have closed ranks around a single demand: the resignation of President Ershad. The opposition has called "a siege of Dhaka" on November 10 to force the president to quit.

However, yesterday's co-ordinated plan to surround the district headquarters throughout the country passed off largely peacefully with only minor incidents in the south-western city of Khulna.

The opposition plans to mobilise hundreds of thousands of people in the capital next week to bring the functioning of government to a halt.

The opposition's attempts to launch a massive countrywide movement since July were disrupted by the national emergency following widespread flooding, said to be the worst in 40 years.

However, an important meeting last week between the two main opposition leaders, Mrs Sheikh Hasina of the Awami League and Begum Khaleda Zia, chairman of the Bangladesh Nationalist Party (BNP), gave fresh momentum to the opposition movement when they agreed to join forces to try to bring down the government.

These two women head the two most important alliance groupings, the eight-party and the seven-party alliances respectively. They differ on the form of government they want. Mrs Sheikh Hasina favours a return to a system of parliamentary democracy based on the Westminster system while Begum Khaleda Zia wants a presidential system.

But at their first meeting they agreed to forget their political differences temporarily to work against President Ershad, who has accused them of adopting unconstitutional means to launch their movement.

President Ershad is a former army general who seized power in a bloodless coup in 1982. He was elected president in October last year and re-established democracy after four years of military rule. But the opposition have accused his Jatiya Party of using fraud and violence in that election and in the parliamentary polls in May.

Peking plans for more foreign investment

BY ROBERT THOMSON IN PEKING

CHINA plans to expand opportunities for foreign investors, including the opening of a property market of sorts, and the government will continue to reduce central control over the economy, senior Chinese officials have announced.

Gu Mu, the State Councillor responsible for China's open policy, said the Communist Party, now in the middle of a landmark Congress, has decided that experiments in liberalising the Chinese economy will be conducted with investors on Hainan Island, off the southern coast, which has been earmarked for intense development in the coming decade.

He said foreign investors would be able to buy exclusive property rights, most probably in the form of renewable leases of up to 50 years, and develop the site as they see fit. They will also be able to sell the property rights to other foreign investors.

While China's economic reform programme is facing serious problems, including rising inflation and economic overheating generally, the Communist Party has clearly decided that foreign investment is to be further courted in the interests of developing the country.

Meanwhile, the acting Communist Party chief, Zhao Ziyang, told a delegation from the General Agreement on Tariffs and Trade that by 1990 only 30 per cent of the economy will be under central control; down from 50 per cent at present, and 100 per cent nine years ago.

Mr Zhao gave no indication of the means used to calculate the percentages, but they were obviously designed to impress the delegation from GATT, which is assessing Peking's application for membership.

● Chen (above): pulled rank; Peng: serious rival

Long Marchers at road's end

Robert Thomson reports from Peking on the retirement of elderly leaders

WHEN ZHONGNANHAI, the Chinese leadership compound, was thrown open to foreign journalists at the weekend, the most interesting sight, apart from Mao Zedong's ping-pong table, was the prominent visage of Chen Yun, one of the Long Marchers to reach the end of the road yesterday.

Little known in the West, Chen pulled rank on the present leader, Deng Xiaoping, during the 1950s and 1960s, and pictures of him line the walls of the compound. Chen shaking hands with Mao, Chen delivering a briefing on the economy, and Chen meeting the masses.

Chen Yun, 82, apparently too ill to attend the closing ceremony yesterday of the party's 13th congress, has been a symbol of the internal opposition to China's reform programme, and his passing has now become a symbol of the successful drive by Deng to rejuvenate the leadership.

Serious economic problems this year, including a jump in inflation, should have given Chen the opportunity to make gains in his drive to limit the use of the market and reassert central control. Yet he has now left the powerful Standing Committee of the Politburo and been put out to pasture in the Central Advisory Commission, a consultative body stacked with retired veterans.

The overhaul of the leadership is testimony to the political skill of Deng Xiaoping, who, two years ago used a special party conference to usher out 64 elderly Central Committee members, but yesterday had approved a new constitution putting strict limits on the ability of future special conferences to replace leaders.

Deng is likely to take a few steps back from party affairs in coming months as an example to other retirees, who will be sorely tempted to interfere, and yet he will retain the last word in Chinese politics until his death. Unusually, the party went public last week in its praise of Deng Xiaoping, who condemned the personality cult built around Mao and has preferred to keep a low profile.

"With his courage in developing Marxist theory, his realistic approach, his rich experience and his sagacity, comrade Deng Xiaoping has made significant contributions to the forumlation and development of the political line, to decision-making on a series of key isues, and to the creation of a new situation in construction, reform and opening to the outside world," Zhao Ziyang, the acting party chief, told the party's 13th Congress, which closed yesterday.

While Deng gets most of the credit for China's economic revival, Chen Yun joined the politburo in 1956, and even then was pressing for some of the reforms used in the Deng modernisation drive. He was in favour of using foreign capital, of reforming the pricing system and of easing controls on farmers, but his warnings about the potential "chaos" of neglecting agricultural production have made him a bogey-man of reform.

The revolutionary pedigree of the president, Li Xiannian, 82, who also handed in his party posts yesterday, is as pure as that of Deng and Chen. He joined a peasant uprising in 1927, was a captain during the Long March, rose to the Politburo in 1956, and was appointed Finance Minister in 1957.

Sometimes referred to as the "weather vane" for his astute judgment of China's shifting political winds, Li rode out the Cultural Revolution (1966-76) without being purged, unlike most of his comrades in the leadership. He became President Li in 1983, and is expected keep that title until early next year.

His enthusiasm for reform has occasionally wavered, and both he and another elder statesman, Peng Zhen, an energetic 85, will be tempted to dabble in politics from a distance. Peng, once the mayor of Peking and the first senior official to fall at the onset of the Cultural Revolution, has aspired to higher office than his chairmanship of the National People's Congress, China's version of a parliament.

The NPC is influential, and will be more so in coming years, but the Communist Party runs the country and Peng has never succeeded in gaining admission to the core of power, the five-member Politburo Standing Committee, despite signs in public comments that he feels he has more than enough talent for the post.

Deng: most of the credit

He joined the Communist Youth League in 1923, and was appointed to the Politburo in 1945, four years before the Communists took control of the country. It is understood that Deng Xiaoping long ago realised Peng was a serious rival, and worked to ensure that his supporters were kept away from positions of influence.

Apart from attempting to increase the stature of the NPC, Peng has tightened up the legal system, though his approach reflects his conservatism, as he has pushed for tough laws to discipline the masses instead of enshrining the rule of law.

Aquino's sister denies taking $1m deposit

PRESIDENT Corazon Aquino's sister-in-law has denied a report that she acepted a $1m deposit from an Australian company seeking gambling concessions in the Philippines, AP reports from Manila.

Mrs Margarita "Tingting" Cojuangco, wife of the president's younger brother, Jose, said she did not receive any money and could not remember meeting Mr Ray Lord, chairman of Smith and Lane, an Australian company. But the Sydney Morning Herald and Manila Chronicle newspapers quoted Mr Lord as saying he paid the money in cash to Mrs. Cojuangco as a "deposit" on behalf of a Hong Kong company, Frostburg.

The reports said an unspecified number of other foreign companies had paid sums ranging from $10,000 to $1.28m to various people, including an unidentified man claiming to represent the Cojuangcos.

Allegations of continuing corruption, a key feature of the years under the dictatorship of former President Ferdinand Marcos, have circulated repeatedly in Manila in recent months

Tutu calls for end to Inkatha-UDF clashes

ARCHBISHOP Desmond Tutu pleaded yesterday for an end to the power struggle between between the Zulu Inkatha movement and supporters of the United Democratic Front (UDF), as police reported that three more people have died in continuing violence, Reuter reports.

At a service in the Natal township of Edendale, Archbishop Tutu told blacks they were setting back the anti-apartheid struggle by political feuding.

'God wants us to be free. And we say: 'Not yet. We have not suffered enough',' he said.

Supporters of the anti-apartheid UDF were among some 700 people at the service. There was little sign of the rival conservative Zulu Inkatha movement of Chief Mangosuthu Buthelezi.

The two groups are battling for political control of the townships.

Church groups say the violence has claimed at least 130 lives in the area so far this year.

In the latest killings, South African police said a nightwatchman was stabbed, another black was stoned to death, and a third man shot.

Police vehicles lined up near by and a police helicopter buzzed overhead as Archbishop Tutu accused the faction fighters of helping perpetuate apartheid race segregation.

'We are saying we are still enjoying being part of the oppressive system, living in matchbox houses, receiving a gutter education,' he said.

He complained that violence made it harder to argue the case overseas for black majority rule.

Brazilian leadership may pass to prime minister

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL now looks all but certain to have either a prime minister or new presidential elections next year – two years earlier than legally required –following the desertions of key supporters of President José Sarney.

The rapid shift in Brazil's political prospects began two weeks ago after a Cabinet reshuffle in which the president failed once again to wrest control of government posts away from party bosses in Congress.

So, last week, the armed forces and leaders of the right-wing Liberal Front Party – both long-standing backers of Mr Sarney's demand for a five-year term under a presidential system – abandoned the weakened president on these issues.

In a bid to halt the growing tide of support for a prime ministerial system, they made clear that they would now support presidential elections in 1988. If necessary, they would even accept a presidential poll soon after the Congress, in its current role as a Constituent Assembly, has finished drafting the new constitution early next year.

Despite these moves, Assembly members on the key drafting committee voted by 57 to 36 to introduce a prime ministerial system. This decision must now win 280 votes in a plenary session to become part of the constitution, which commentators now say is more than possible.

Even so, much of the support for prime ministerial government derives only from those seeking any means to cut Mr Sarney's powers and put in his place someone more able to command a majority.

There is growing sense of urgency in all sectors of Brazilian society that the country must have new leaders to tackle the rapid decline in the economy and its social consequences.

Monthly inflation is now heading back to double figures per cent and is certain to exceed an annual record of 300 per cent by the end of the year. Wage claims are soaring, as are bankruptcies and unemployment, while investment is declining.

The debate over which system to have – prime ministerial or presidential – cuts across all political boundaries but there now seems a clear a majority for a rapid decision, in order to make way for a new government next year.

A broad informal coalition, headed by the military and the state governors, fears that lack of party discipline means no prime minister could resolve the country's problems and that dangerous drift would continue.

Because of this, plus the growing belief that Mr Sarney can never command sufficient support to take tough decisions, this coaliton is trying to revive the presidential option by suggesting elections could be brought forward.

Rising excitement over the possibility of early elections has provoked wild and unsubstantiated speculaton that the military could intervene. This has necessitated repeated denials from Gen Leonidas Pires Gonçalves, the Army Minister.

Chirac starts Israel visit to confirm new links

BY ANDREW WHITLEY IN JERUSALEM

MR JACQUES CHIRAC, the French Prime Minister, yesterday began a three-day official visit to Israel, marking the re-establishment of normal relations between the two countries after many years ofestrangement.

In his welcoming remarks, Mr Yitzhak Shamir, the Israeli Prime Minister, said the trip marks the "completion" of the renewal of bilateral relations, begun when President François Mitterrand came here in 1982 and broke the strongly pro-Arab stance established in France by the late President de Gaulle.

In a reference to the low level of trade links with Israel, Mr Chirac noted yesterday that there was "still more to do", to strengthen the relationship. There are few expectations among Israeli officials of a substantial increase in bilateral trade in the near future, or of major areas of technological co-operation.

One prospect Israel is likely to pursue is that ofparticipation in the Eureka nuclear research programme, although the recently revived suspicions of Israeli designs on becoming a fully-fledged nuclear weapons power will dampen French enthusiasm for the idea.

But, during private talks that began last night, Mr Shamir may well raise with his French counterpart the controversial subject of the Iraqi nuclear reactor bombed by Israeli aircraft in 1981. Israel reacted with alarm last year to French press reports, denied by the French Government, that France was secretly helping to rebuild the plant.

Among other items on the agenda will be the Middle East peace process (which is in the doldrums after the failure of the recent visit to the region by Mr George Shultz, the US Secretary of State), the Gulf conflict, and the situation in Lebanon.

Both countries have nationals who are held hostage, having been kidnapped in Lebanon, by Hizbullah, the extreme pro-Iranian group. Both are reported to be persisting with moves behind the scenes to secure the release of their respective nationals.

Ortega may fall in line on Arias peace plan

By Peter Ford in Managua

PRESIDENT Daniel Ortega of Nicaragua flew to Moscow on Saturday for the 70th anniversary of the Russian revolution, amid hints that, on his return, he would announce new steps to comply with the Central American peace plan.

These indications came days after a warning by Mr Bayardo Arce, a senior Sandinista official, that Managua would make no more concessions until the US has stopped aiding the Contra rebels.

Diplomats in Managua suggested, however, that Mr Arce's hard line may have been designed to enhance the impact of any moves the government might unveil on November 5.

By that date, the first deadline in the peace pact, the Sandinistas are due to lift the state of emergency, which suspends a wide range of civil liberties, and to decree an amnesty for Contra rebels and political prisoners.

Nicaragua's neighbours are demanding that Managua show signs of negotiating a ceasefire with Contra leaders.

Pointing out the steps taken so far by the Sandinistas to comply with the three-month-old peace plan, Mr Arce complained Washington had responded by stepping up supply flights to the rebels, and planning a \$270m Contra aid request to Congress.

Managua is under heavy pressure, especially from President Oscar Arias of Costa Rica, architect of the peace plan, at least to negotiate a ceasefire with the rebel chiefs. President Ortega appeared to leave that possibility open.

Malaysian TV executive arrested

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN authorities arrested Mr Ahmad Sebi, one of the country's most powerful media figures, and two church activists at the weekend, bringing to 91 the number of people detained under the Internal Security Act.

As managing director of Television 3, the network owned by the ruling party, the United Malays National Organisation, Mr Sebi's influence extends to the UMNO-owned Fleet Group, the country's biggest newspaper chain.

His arrest underlines the fact that the current government crackdown cuts across party, racial and religious lines, as Dr Mahathir Mohamad, the Prime Minister, struggles to defuse racial tension between Malays and Chinese and to reassert his control over the deeply divided UMNO party.

The 1.3m population of the Malaysian capital heaved a sigh of relief as yesterday passed without incident, following the cancellation of what was to have been a huge UMNO-sponsored rally.

Most Kuala Lumpurians had feared the rally would provoke racial clashes and some observers feel a main reason for the detentions was to allow Dr Mahathir to cancel the rally without being appearing to the Chinese to be weak.

The police said the security situation was improving and families of the detainees would be allowed to see them from today.

The police chief, Tan Sri Haniff, has also hinted that some of the detainees would be released within a few weeks, although the Internal Security Act allows for indefinite detention without trial.

The owners of three prominent newspapers ordered to suspend publication as part of the government crackdown are planning to appeal for the order to be lifted.

Domestic problems slow pace of South Asian co-operation

BY JOHN ELLIOTT IN KATMANDU

DOMESTIC political and economic concerns are beginning to slow co-operation between the seven nations of South Asia, the leaders of which start their third annual three-day summit in the Himalayan kingdom of Nepal today.

Dominated by India, the South Asian Association for Regional Co-operation (SAARC) has run into problems in at least three main areas – agreeing a convention on tackling terrorism, identifying measures of economic co-operation, and implementing a programme to curb drug traffic.

India is slowing progress on a terrorism convention. It is worried about the legal implications of demands from Sri Lanka for countries to hand over extremists alleged to be plotting terrorism from havens in neighbouring countries.

This is significant because India has been allowing Tamil Tiger and other Sri Lankan extremist groups to operate from its southern state of Tamil Nadu, where there are more than 100,000 Sri Lankan Tamil refugees.

India is prepared to sign declarations on terrorism which would not be legally binding, but is concerned about a convention which could lead other countries to demand the return of political activists who may be innocent.

India is also resisting a proposal from Bangadesh for a south Asian development fund which would raise international loans for member countries. It is arguing that SAARC should be self-reliant and should only raise outside loans for projects which would help all the members. Other countries believe India is worried that a joint fund would dilute its own ability to raise international funds.

Some members of SAARC are also critical of the amount of action against drug trafficking by Pakistan and Nepal. They suspect this is because figures in the two countries' Governments or armed forces are involved.

SAARC was founded three years ago amid some euphoria about the potential for co-operation among member countries, which have a combined population of more than 1bn. An approach from Afghanistan to join SAARC has not been accepted.

So far, the main usefulness of the association has been to provide the leaders of the seven countries which have major differences and bilateral problems, with a forum for informal talks.

In the next two days, the focus will be on private talks between Mr Rajiv Gandhi, India's Prime Minister, and President Junius Jayawardene of Sri Lanka, about the deteriorating security in the island. This will be their first meeting since they signed their joint accord on Sri Lanka's ethnic crisis on July 29.

India is becoming increasingly concerned about the likelihood of a long guerrilla war between its peace-keeping force on the island and Tamil Tiger extremists in the north and east.

The two leaders will be discussing ways of dealing with this and of implementing terms of the accord on regional devolution and elections.

Curfew is lifted in Tahiti

THE 7pm-5am curfew declared for Papeete and four surrounding communities in the French South Pacific territory of Tahiti, following the October 24 riots, was lifted yesterday, but the state of emergency remained in effect, AP reports from Papeete.

The riots broke out during a confrontation between police and striking dock workers, who are seeking an extra team to supplement workers on the island of Mururoa, France's nuclear test site.

Many of the city's shops were looted and burned, and 12 people were injured.

The lifting of the curfew – which covered Papeete, Faaa, Pirae, Arue and Mahina – was announced by the French High Commissioner. It did not affect the state of emergency or lift the ban on alcohol sales.

The emergency, which prohibits all demonstrations, will expire on Thursday. An act of Parliament is necessary to extend it.

Herut feelers to PLO

HERUT, the right-wing Israeli party which forms the backbone of the Likud bloc, is making an unusual effort to demonstrate to Palestinians that its pragmatism, rather than the plans of the Labour Alignment, is the best route to a peace settlement, our Jerusalem correspondent writes.

A month ago, a member of the party's central committee, Mr Moshe Amirav, said he had held secret meetings with prominent Palestine Liberation Organisation supporters on the West Bank.

Now a second prominent Herutnik has told a pro-PLO weekly that, under certain circumstances, negotiations with the PLO were possible. Col Shmuel Pressburger, who is on the party's central committee, said: "I do not rule out the possibility of negotiating with the PLO, but only if it changes its attitudes."

Likud may be prepared to exploit the opportunities left by Labour and may be telling Palestinians that it is the party which can deliver on its promises.

Assad names new premier

PRESIDENT Hafez al-Assad has accepted the resignation of Syria's long-serving Prime Minister, Mr Abdel-Rauf al-Kasm, and has asked Mr Mahmoud Zu'bi, the Parliamentary Speaker, to form a new government, a presidential spokesman said, Reuter reports from Damascus.

Mr Kasm had headed the government for almost eight years, the longest term in recent Syrian history.

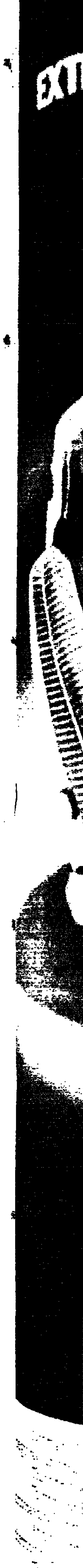
Political and diplomatic analysts said they did not expect any change in Syria's foreign policy following Mr Kasm's resignation.

Mr Zu'bi and his cabinet are expected to focus mainly on agricultural and industrial development and on securing foodstuffs for Syria's 12m inhabitants.

Mr Zu'bi, who quickly started consultations, should form his cabinet in the next few days ahead of an emergency Arab summit due to open in Amman on November 8, analysts said.

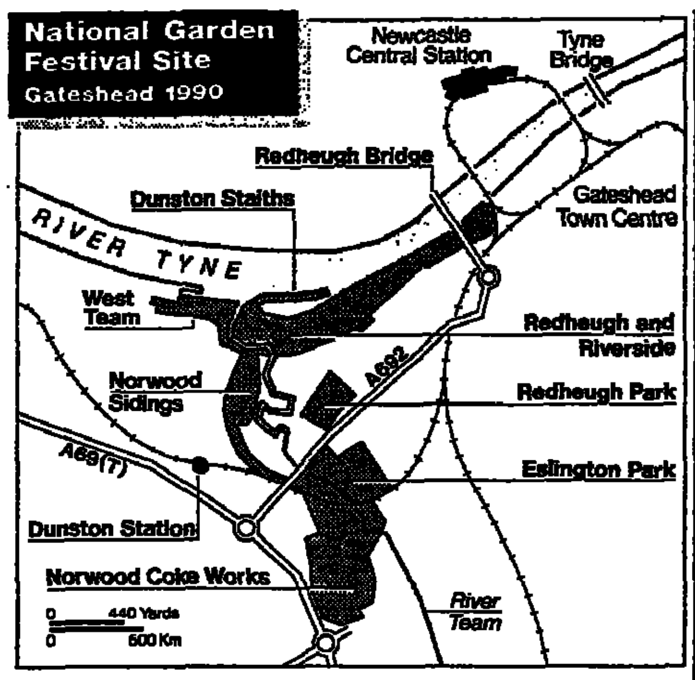
The choice of Mr Zu'bi as prime minister is said to reflect mounting presidential concern over the country's battered economy.

Mr Zu'bi, 52, faces a battle against mismanagement and corruption to combat economic stagnation, problems which overwhelmed his predecessor.



Gateshead festival

Northern Kew takes shape



THE SITE, or rather sites, of Gateshead National Garden Festival 1990, were once among the most polluted and despoiled to be found beside the River Tyne.

Reclamation of the former Redheugh Gasworks, the Norwood Cokeworks, the Thomas Ness Tarworks and the Norwood railway sidings represents a major initiative by Gateshead Metropolitan Borough Council. It spent £4m of Derelict Land Grant in under four years in accelerating a process which might otherwise have taken 30.

By June 1988 reclamation will be complete and the framework in place for festival uses to take shape. NGF90, as it is known, is set to follow Liverpool, Stoke-on-Trent and Glasgow in the modern garden festival movement, which progresses to Ebbw Vale in 1992. It seems likely to be among the more memorable settings.

A prime reason is location. Gateshead could hardly have chosen a tougher prospect than the four sites, linked by a disused rail corridor and punctuated by the noxious River Team. Residual contamination included phenols, sulphides, tars, heavy metals and a 20ft layer of compacted coal dust.

On one flank is a 1960s municipal housing estate, whose massive tower block, known as The Rocket, dominates the skyline. On the other, gasholders protrude. The Tyne shore is dominated by the massive silhouette of the coal staiths, whose centenary falls in 1990.

It is not the sort of place where you might expect to find hundreds of rare tree species, a Northern Kew. That is why Mr David Copeland, NGF90's executive director, is preparing for a greener look than other festivals. The contrast of copious planting with the stark environment around promises great visual excitement.

Mr Copeland is a planner by profession but his company, which has operational independence from the local authority, has eschewed a masterplan. Festival themes - childhood, Tyne heritage, homes and gardens - link with agreed after-uses of recreation, leisure activities and housing. The festival itself, however splendid, is principally an enabler.

Without it, Gateshead would never have levered £6.4m in derelict land grant for the 200-acre site, let alone a further £13.5m from other public purse sources to multiply the borough's own £5.8m injection. Private sector contributions should add an all-important £4m to capital spending, plus £6m in sponsorship. Projected operational profits of £5m during the summer of 1990 suggest an overall budget in excess of £40m.

That is big money, and Gateshead MBC will be guaranteeing revenue costs of up to £8m to encourage participation. On present evidence there will be no lack of takers. NGF90 is in the process of negotiating main-title sponsors; the £4m capital injection will come from end-users. The main problem, as ever, is time.

Reclamation offered a particular challenge on the key Redheugh site, where pollution was too imbedded for the ground simply to be capped off. Given massive drainage demands, the borough's reclamation team decided to implement a capillary break blanket method invented by Dr Tom Cairney of Liverpool Polytechnic. This admixture of pulverised fly ash, crushed dolomite and sand allows downward percolation but no upward movement. PFA is also being used in the subsoil, along with straw and 100,000 cubic metres of silt dredged from the Tyne. Topsoil, stored nearby, comes from the Nissan factory site at Washington.

The staiths fronting Redheugh, listed for their historic importance, are under restoration at a cost of £1.25m. Their gantries will be put back in working order, and track is being laid for period steam locomotives. Steam is already lined up in the presence of the Ravenglass and Eskdale narrow gauge railway, which will serve as a distributor around the two northern sites. A slow-moving monorail, prefunded by a Belgian firm, does a similar job around the southern sections.

One established planning principle is that all motorised vehicles are segregated from pedestrians. Given the distance between sites, with car and coach parking necessarily on the fringes, balance and distribution of visitors - at least 25,000 are expected on peak days - will be crucial. To this end a continuous road train service will run on its own track between the main transit points.

Pedestrians can make the same journey on a spine footpath with shelter points every 100 yards and shopping along the corridor section. The path could also accommodate a linear modern art exhibition - if there is room. Some of the early tree planting (over 1m already) is jeopardised by rival uses.

Regionally-based landscape architect practices were awarded £1,000 each to produce ideas around the existing structure and themes. Each, says Mr Copeland, will be offered further work on merit. That is also his attitude to the nurseries and garden centres seeking to supply plants. Where possible, all contracts are to be let locally but rarer species or specifications may have to come from further afield.

Despite NGF90's quest for excellence, its appeal will be unashamedly popular. Indeed, this combination of high horticultural and amenity standards linked with themes like *Magic and Illusion* or *The Future*, is hoped to create a heady brew of local enthusiasm, regional pride and national recognition.

Will its success, in the end, be measured simply in numbers? Mr Copeland points to the huge vested interests, public and private, in a £40m project, all with different objectives and individual ways of reckoning value for money. There are bound to be those who feel unhappy.

However, he has no doubt that the festival will offer a major boost to the North-East's image and self-esteem. It will provide a legacy of exciting tourist attractions along the Tyne, of high quality recreational facilities, of private and rented housing.

Perhaps the spirit of NGF90 is best summed up by a two-acre section beside the River Team in Redheugh where a Third World village is planned. Visitors will enter through an aircraft fuselage, and groups from different countries will demonstrate the realities of their everyday life. It is a symbol that a rich nation with the ability to regenerate one of its own devastated areas has not forgotten the wider perspective.

Robert Waterhouse

Cumbria

North by North-West

EVERYONE KNOWS where Cumbria is located on the map. Where it is located in terms of the English regions is something else. The Northern Development Company (NDC) claims it for the North; its major employers - who contribute massively to future industrial development - want it in the North-West.

Meanwhile, the county - formed in the 1970s by the amalgamation of Cumberland and Westmorland with parts of north Lancashire - pays its dues to Inward, the North-West's inward investment agency, not the NDC.

Cumbria County Council has yet to decide whether it wants to go into the NDC as a fully paid-up member. Carlisle City Council has voted in favour but has no general support in much of industry and commerce, particularly in West Cumbria.

Critically, two of the most powerful elements in the industrial infrastructure - VSEL, the Trident submarine yard at Barrow, and British Nuclear Fuels (BNFL) at Sellafield - are interested in staying in the more buoyant North-West.

Confusion abounds, partly because of the Government's stance. Cumbria is in the North for statistical purposes but in the North-West when it comes to administration by the Departments of the Environment (DoE) and Trade and Industry (DTI).

The Government puts it in the North when the monthly unemployment statistics come out, for example. The official reason is that Cumbria was in the Northern Region's original statistical base and it would confuse matters to change it.

However, Cumbria's figures are broken out easily on request and, with modern computing, change and recalculation of the base would not be difficult. One cynical view is that Cumbria's low unemployment rate of under 10 per cent helps disguise how bad things really are in the North-East.

Cumbria has a problem in Workington, where 14 per cent unemployment has given it development area status, but Carlisle has remained stable with United Biscuits, Pirelli and Nestle big employers, and Cavaghan and Gray, one of 3i's long-term success stories as a major supplier of quiches and other high quality foods to Marks and Spencer.

Job creation efforts are very much locally based. British Steel - which, although it has long since closed its West Cumbrian blast furnaces, has one of the world's leading rail making plants in the area - is very active through BSC Industry. VSEL has one of the biggest training programmes in Britain.

Meanwhile, BNFL has recently announced a £1m a year contribution to the West Cumbria Initiative, aimed at widening the industrial base and fostering more small business growth. This is the sort of money the NDC could do with, but BNFL is not on its list of private sector backers.

It is against this background that Mr Reay Atkinson, the NDC's chief executive, has been lobbying hard to get Cumbria fully committed to his fold.

He has some powerful friends in the Government, but so [illegible] Dr Rodney Leach, chief executive of VSEL, who argues t[illegible] when compared with the [illegible] M6 express route into the he[illegible] of Manchester, communications to Newcastle make a nonsense [illegible] an east-west link.

Mr Atkinson concedes this, [illegible] says that Carlisle's case to [illegible] with Newcastle - 60 miles along the A69, compared with [illegible] miles to Manchester - makes sense. But while he says that, [illegible] same applies to all of Cumbria north of Shap fell. He admits that the natural affinity for a[illegible] where south of Shap is with the North-West.

The people lobbying against him say the greater logic is [illegible] keep all of Cumbria in the We[illegible] Pennine region, which is where it is geographically, as the big industrial guns want.

Mr Atkinson will keep fighting, however. He says: "Cumbria gives us a distinct advantage [illegible] promoting the Northern Region, especially regarding tourism and the strength of existing industry."

Ian Hamilton Fazey

Tourism

Penny-pinching is bad housekeeping

TOURISM IN Cumbria and Northumbria, the two ETB regions for Northern England, is a multi-million pound business. Last year it was worth an estimated £256m to Cumbria and £230m to Northumbria, providing around 50,000 valuable jobs across the North. Yet the two tourist boards, with a combined turnover of just £1.07m, are battling to conserve their operational pennies for everyday survival.

Northumbria Tourist Board, whose bailiwick extends from Middlesbrough to Berwick-on-Tweed, is currently considering travel restrictions on its development staff. Cumbria asks journalists to kindly return background documents, or cough up the shelf price.

The tourist boards claim their housekeeping practices are already stringent. They say that the ETB has indicated standstill budgets for next financial year. Many of the local authorities which support them are rate-capped. The principal expansion route is through sponsorship, and in Cumbria at least commercial membership would be difficult to improve.

Grant aid for tourism projects, which comes from a separate ETB allocation, amounted to £644,000 in Northumbria during 1986-87, levering £4.27m and 256 jobs. In Cumbria £510,000 brought an investment of £4.59m and 116 jobs.

Because they are geographically large but numerically small, Cumbria and Northumbria have most to gain from membership of the Northern Consortium of tourist boards, whose joint overseas marketing of "England's North Country," using Manchester Airport as the gateway, shows great potential.

At the other end of things, Northumbria recently set up its own community programme agency in partnership with the MSC, which led to the staffing of a tourist information centre at Newcastle Airport.

In comparison with the other regional board areas, Cumbria and Northumbria form the bottom league, with 15m and 16m bed nights recorded respectively during 1985 (Thames and Chilterns was the next lowest at 30m). However, tourism's importance to the Northern Region's economy is double the national average in job terms.

This is brought about by a combination of geography, topography and industrial recession. With the current agricultural crisis, farmers are also turning to tourism as a valuable source of income. Most of the region comes within rural development areas, while land over 800ft is officially a Less Favoured Area for farming. Such designations bring access to Development Commission and European Community funds. The challenges - and opportunities - vary widely across the region. Cumbria acknowledges that the Lake District becomes unhealthily full in season. Official policy is to encourage tourism in the rest of the county, and special emphasis is being placed on both Penrith and Carlisle as centres. Poor publicity about Chernobyl fall-out over the fells has been balanced in a strange sort of way by British Nuclear Fuels' successful promotion of the Windscale visitor centre.

Northumbria, with no single tourist magnet, suffers from a lack of perceived identity. But unlike Cumbria it has two major conurbations in Teesside and Tyne & Wear, whose smart business hotels offer potential for weekend breaks. Middlesbrough is only a few minutes from the North Yorkshire Moors, and its hotels are good value. Newcastle claims to be the liveliest regional centre in Britain.

Attempting to create the missing tourist identity, the North-East's local authorities are becoming enthusiastic promoters of their own patch. Durham County Council sells the theme of the Prince Bishops who once ruled the world from Durham Cathedral. South Tyneside (or South Shields) majors on Catherine Cookson, the romantic novelist. Alnwick pushes the Percy connection as the Lion Heart of Northumberland.

An irony of the present penny-pinching is that Northumbria, especially, is so marketable. As a tourist region it has just about everything, from Hadrian's Wall to the Metro Centre, from Holy Isle to the Kielder Forest, with superb communications and space for all. Any image problems are illusory. Those who come and see for themselves know better. Yet Northumbria attracts consistently low percentages of tourists from overseas, and from elsewhere in England.

Mr Stephen Gent, Northumbria TB's development officer, believes that in the long run it is better to have a variety of themes than a honeypot like the Lake District. He is worried that facilities could be stretched by the great influx of people expected for the Gateshead National Garden Festival in 1990. The rarity value of the North-East, something treasured by many visitors, might be dented.

It is not that tourism organisers hide themselves away. On the contrary, they are phenomenally busy year-round. Miss Jane Paterson, Northumbria's senior marketing officer, reckons on a 10-hour day and lots of weekend work. Tourist promotion does not have much of a career structure and offers modest salary scales. It still suffers from the old slur that tourism is not a "real" job.

Cumbria, an old hand at managing Lake District crowds, is ahead of Northumbria in producing a strategy document for the coming five years. Its long list of objectives - like opening up new areas, protecting and improving precious environments, bolstering traditional industries - ends with a plea for a first step in more realistic funding. "In order to obtain maximum public and government support for the tourism industry, they should be informed about what the needs of the tourism industry are...CTB and other agencies urgently need resources to implement this strategy."

Tourism in the North of England is more than a necessary curse. Its precisely-directed investment and its bias towards self-help have real-life implications for local communities. Cumbria and Northumbria tourist boards believe they are simply asking for better tools to get on with an important job.

Robert Waterhouse

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APPOINTMENTS

Humberclyde Finance Group board posts

Mr George Duncan has been appointed chairman of the HUMBERCLYDE FINANCE GROUP, formed following the management buy-out of ANZ Finance from the Australia and New Zealand Banking Group. He was a director of Lloyds Bank and chairman of Lloyds Bowmaker. He is chairman of both Whessoe and ASW Holdings. **Mr Carrell Reeve**, joins the board as group finance director, he was ANZ divisional finance director; and **Mr Kenton Sparks**, who was operations director for ANZ Industrial Finance, is appointed the group' products and marketing director.

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Mr Alastair Morton, British joint chairman of Eurotunnel, has been appointed a director of BANQUE NATIONALE DE PARIS, London.

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THE PA CONSULTING GROUP has appointed **Mr Michael Rappelt** to its international board. He is chief executive of PA Computers and Telecommunications, Western Europe.

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Mr Nicholas Walters has joined MCDONOUGH ASSOCIATES as a director.

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Mr Alexander Ritchie has joined the board of DEBENHAM TEWSON & CHINNOCKS as a non-executive director. He will shortly retire as chairman of Grindlays Bank, and is chairman of Union Discount Company of London and a director of the European Investment Bank.

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Mr Michael R. Cotterill has been appointed deputy managing director *CERRO METALS (UK)*.

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Mr Ian Reake has been appointed a director, and **Mr Peter Tyler** an assistant director of HEATH FIELDING REINSURANCE BROKING INTERNATIONAL. **Mr Dominic Higham** and **Mr Kim Osborn** have been appointed assistant directors of Heath North American Reinsurance Broking.

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Mr Nick Dickson has been appointed sales director and **Mr Bill Bowell** operations director of *PREVIEW DATA SYSTEMS*.

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Mr Stephen Cooke has been appointed chief executive of GERRARD VIVIAN GRAY, stockbroking branch of Gerrard & National Holdings. He was managing director of Montagu Loebl Stanley Financial Services.

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A new management company, *RTZ CHEMICALS UK*, has been formed to assume overall responsibility for RTZ's chemical operations in Britain, and **Mr John Matthews** has been appointed managing director. **Mr Alan Gent**, formerly a marketing manager of ABM Chemicals, has been promoted to director and general manager of RTZ Chemicals' new biospecialities business group. He will also serve as a director of ABM Chemicals and Sturge Biochemicals.

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Mr Peter Hall, executive director in charge of computers and systems at Abbey Life, has been seconded full-time to LAUTRO to spearhead the development of a register of company representatives.

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Mr Mike Morris has been appointed director of personnel and industrial relations at ITN. He was managing editor.

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Mr H.W.A. Francis has been appointed chairman of the BLACK COUNTRY *DEVELOPMENT* CORPORATION.

*

Mr Paul de Voil has joined ARTHUR YOUNG as a tax consultant. He joins from Lonrho where he was taxation controller.

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From January 1 **Mr Roger Beeson** will join the board of ST JAMES'S CORPORATE COMMUNICATIONS as media director.

*

Mr Terry Flannagan and **Mr Anthony Harris** have been appointed directors of *INTEREUROPE* TECHNICAL SERVICES.

*

FINLAN has appointed **Mr Kim Taylor-Smith** as company secretary.

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Mr Geoffrey Jones, treasurer and head of the finance department of *BOWATER INDUSTRIES*, will retire on December 31. **Miss Phillippa Rack** becomes treasurer from January 1.

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BAIN CLARKSON has appointed **Mr Edward Benfield** and **Mr Colin Campbell** as executive directors of the LMX division. Mr Campbell's appointment is in addition to his present responsibilities. **Mr Edward Benfield** becomes a director of the reinsurance division.

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PHOENIX BURNERS has appointed **Mr Peter Gibbins** to the board. He was managing director of Myson Industrial Space Heating. **Mr Michael May** becomes managing director of NOR-RAY-VAC GmbH, and **Mr Justin Cadbury** becomes group chief executive of the holding company RADIANT SYSTEM TECHNOLOGY.

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Mr Nicholas R. Sallnow-Smith has been appointed group treasurer of CHARTER CONSOLIDATED. He joins on November 16 from Lloyds Merchant Bank where he was assistant director, capital markets group.

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Mr Charles F.H. Morland has been appointed a director of RIGGS A P BANK from December 1. He will become deputy managing director on February 1.

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FRASER GREEN, Richmond, Surrey, has appointed **Mr Stuart Craig** as a director and investment manager. He was a director of UK institutional funds at Kleinwort Grieveson Investment Management.

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Mr Adrian Moore has been appointed general manager and a director of CANNON FUND MANAGERS, unit trust management subsidiary of Cannon Lincoln Group.

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MELSON WINGATE, Bournemouth, has appointed **Mr Peter T. Grundy** as non-executive chairman.

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CLARK WHITEHILL ASSOCIATES has appointed **Mr Christopher Greene** as a director.

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Mr Yves Le Hur has been promoted to assistant general manager of the commodities division of CREDITANSTALT, London.

Standard Life senior posts

Mr John Downie, chief accountant of THE STANDARD LIFE ASSURANCE COMPANY will retire on December 29. From December 30 **Mr Alan Reid** becomes finance and taxation manager; **Mr Neil Ross** becomes chief accounts manager; and **Mr David Bentley** and **Mr Bill Shipway** become senior accounts managers. **Mr Frank Clements** is administration manager for the administration department. In the life adminstration department **Mr Simon Shearer** and **Mr Peter Somerville** have been appointed administration managers; **Mr Ian Campbell**, **Mr Bob Fairlie**, **Mr John Simpson** and **Mr Frank Begbie**, have all been appointed assistant administration managers. **Mr John Gibb** is chief underwriter. **Mr George Edington**, **Mr Richard Bowie**, **Mr Ken Campbell**, **Mr Andrew Duff**, and **Mr Brian Robb** have been appointed administration managers in the pensions administration department, and **Mr John Stewart** becomes an assistant administration manager.

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Sir Archibald Forster, chairman and chief executive of Esso UK, has been appointed president-elect of the INSTITUTE OF PETROLEUM.

Settlement system 'not threatened by losses'

By Steven Butler and John Edwards

CITY of London brokers and stock exchange officials yesterday expressed confidence that the stock exchange settlement system would function normally today despite large losses expected as traders settle their accounts for the past two weeks of trading.

The fortnightly settlement day will force traders to pay up for losses suffered on their accounts in the period when stock prices plummeted, and brokers said some private clients were expected to be unable to meet their obligations. Defaults were not expected, however, from large institutional clients.

The losses in individual brokers were not expected to have a large knock-on effect among other members of the exchange.

Traders in stock options are expected to have more serious difficulties, and already reports have surfaced about substantial losses in traded options, agreements to buy or sell shares at a fixed price at a future date.

"The settlement system is 100 per cent AOK," said Mr George Gallacher, chairman of the Stock Exchange Settlement Service, yesterday.

Mr Gallacher said that it was impossible to anticipate whether the losses at individual firms would be sufficient to cause any default of payments due between broker members, but that these were in any case not expected to affect the integrity of the trading system.

These sentiments were echoed at large broking firms serving mainly institutions, including Kleinwort Grieveson, S.W Warburg, Hoare Govett, and Quilter Goodison. These firms did not expect serious knock-on effects from brokers dealing mainly with private clients.

It was claimed that provincial brokers, particularly private partnerships, would be at greater risk.

The problems for brokers have been compounded by the huge amount of business transacted as prices plunged after October 14. Brokers will have to settle immediately in order to maintain an adequate cash flow, and may experience difficulties obtaining share certificates and cash from clients.

Mr Robin Woodhead, chief executive of the National Investment Group, said his group comprising seven stock brokers was forced to increase bank borrowing facilities by five times the normal limit because of the enormous volume of business done in the past two weeks. Bargains had reached a peak of 7,000 a day, compared with a normal high of 1,500.

Clients of the group have been urged to deliver as much stock as possible and to make sure that funds are cleared by settlement day, he said.

Mr David Parry, deputy chairman of the stock exchange options committee, said the exchange was "obviously concerned" about reports of big losses being suffered by individuals.

He pointed out the main risk was in writing put options, which commit the writer to buy shares at a fixed price. This would now likely be well above the current market price and lead to a substantial paper loss. Because of the risks involved, however, most writers of put options tend to be professionals who are better able to withstand the losses.

In order to reduce possible losses to dealers, margins - the amount of money to be put up front on reaching an agreement - on traded options on the exchange were raised substantially last week.

The Bank of England confirmed yesterday that it had been working with the Stock Exchange to monitor the positions of security trading companies in the City after the recent crash in the stock market. The Bank has these past two weeks extended its normal supervision of British incorporated banks to include security companies.

Chancellor to relax spending limits

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor of the Exchequer, will this week deliver an optimistic assessment of Britain's economic outlook despite the recent crash on world stock markets.

In his Autumn Statement on the economy tomorrow, Mr Lawson will also announce a relaxation in the cash limits set last Autumn for public spending for the 1988/89 financial year beginning next March.

The expectation in Whitehall is that the Chancellor will add between £2bn and £3bn to his original target of £154.2bn for that year. Much of the extra spending will be absorbed by the hefty pay awards given to nurses, teachers, the police and to many other public sector workers over the last year.

Because of the rapid growth rate of the economy in 1987 and higher-than-expected inflation, the new figure will meet the Treasury's insistence that spending should fall as a proportion of total national income.

Despite additions to departmental allocations won by spending ministers over the past few weeks, several spending programmes, notably social security and defence, are expected to face a significant squeeze. The Department of Trade and Industry faces a sizeable cut in its allocation in line with the Goverment's philisophy that it should play a less interventionist role in industry.

The tenor of Mr Lawson's view of the economic outlook was set last week, when he told the House of Commons that Britain was in a strong position to shrug off the impact of the worldwide slump in equity prices.

He is expected to shade down slightly his forecast for the economic growth rate next year, perhaps from 3 per cent to 2½ per cent, but will add that the events of the last few weeks have improved the outlook for inflation and interest rates.

In the City of London, tomorrow's statement and the Chancellor's annual address on monetary policy at the Mansion House on Wednesday are seen as possibly foreshadowing a further ½ point cut in base rates to 9 per cent. The Bank of England cut rates by ½ point 10 days ago at the height of the turmoil in financial markets, but has since resisted market pressure for a further reduction. In the Autumn Statement, Mr Lawson will deliberately avoid giving any indication of the likely scope for tax cuts in the next Budget.

Mr Lawson's paradox, Page 11

Industrialists form panel on inner cities

BY HAZEL DUFFY

THE CONFEDERATION of British Industry is to establish a high-level task force to encourage businesses to play a more supportive role in the regeneration of Britain's inner cities.

Sir David Nickson, CBI president, said in Glasgow on the eve of the confederation's annual conference that the task force will be chaired by Mr Tom Frost, group chief executive of National Westminster Bank.

Among the leading industrialists on the task force will be Mr Bryan Baker, joint group managing director of Tarmac; Mr Martin Laing, chairman of John Laing construction; and Mr John Hall, managing director of Cameron Hall Developments, which developed the Metro shopping centre in Gateshead, north-eastern England. Professor John Goddard, director of Newcastle University's school on urban studies will also join the task force.

Mrs Margaret Thatcher, the Prime Minister, has often said that the private sector should be more willing to invest in and help solve the problems of inner cities.

The CBI is well placed to take up the challenge. The fact that it has decided somewhat belatedly to throw in its support for initiatives in the inner cities is a mark of the more confident mood which the CBI leadership is setting for its two-day conference.

CBI leaders indicated that business would be willing to invest more in the inner cities. The job of the task force team over the next year will be to consider what these areas need. "We are concerned with making sure that the many initiatives are properly co-ordinated," said Mr Banham.

The task force will be serviced by a CBI staff team led by Mr John Caff, executive director for economic affairs, and supported by consultants McKinsey & Company. It will report to next year's conference.

The team will seek to work in parallel with the officials and ministers in the inner cities Cabinet committee, who are working to co-ordinate the Government's disparate schemes for declining inner cities.

A key area for the task force will be to bring medium-sized and smaller companies into the private sector effort.

UK NEWS

CEGB attacks calls for split-up on privatisation

BY MAX WILKINSON

THE CENTRAL Electricity Generating Board yesterday launched a counter-attack against critics who say it should be broken into competing parts for privatisation.

Mr John Baker, the board's managing director, said yesterday that many of the ideas put forward by the critics were "out of touch with reality," and came from people "in the world of the ivory tower, not the cooling tower."

Mr Baker, speaking in Glasgow on the eve of the Confederation of British Industry's annual conference, was making the CEGB's first public riposte to those who see privatisation as a way of introducing market competition between different generating companies.

He was particularly critical of a recent paper on electricity privatisation published by the Conservative Centre For Policy Studies and written by Mr Allen Sykes and Professor Colin Robinson of Surrey University.

He said the authors admitted that their proposals had never been tried anywhere else in the world.

"It is hard to resist the conclusion that they are more interested in treating the electricity consumer as a guinea pig than in providing a service to a real person with a house to light and a family to keep warm, or to the industrialist who has an absolute need for reliable supplies of electricity."

He said the studies, which suggested that the national transmission grid should be split away from all generating plant, would be "more convincing if the authors could point to any country overseas where the solution they favour had been successfully adopted, or explain how their solution keeps the lights on."

Mr Baker said the CEGB welcomed the idea of privatisation, and agreed that it could bring benefits to the consumer worth hundreds of millions of pounds a year. Those benefits would arise from the fact that a private-sector generating company could buy the cheapest coal from any sources in the world rather than being tied to British Coal.

It would also be free to squeeze a better deal out of plant manufacturers, he said, but those benefits could be achieved without "carrying out experiments with the structure of the industry."

It was too glib to say that electricity production would be more efficient if there were a greater number of companies. "It may work in textbooks but it does not work abroad, where electricity producers collaborate rather than compete and are tending to arrange themselves in larger not smaller groupings."

If the CEGB's integrated system were broken up, the costs might run into hundreds of millions of pounds a year and the signs were that reliability would be decreased.

If a regulatory commision was set up to ensure that enough plant was built to meet future demand and that the diversity of nuclear power was maintained, that would be neither a market solution, nor an improvement on the present arrangements.

● A study published by the Electricity Consumers' Council today says that ownership of the national grid is the key to a successful privatisation strategy.

It says the grid must be run as a single unit, but its ownership could change. The study concludes that it would be very difficult to foster competiton in the industry if the grid were to remain owned by CEGB.

Privatising Electricity - The National Grid and the Merit Order, Privatisation Discussion Paper 4. The Electricity Consumers Council, Brook House, 2/16 Torrington Place London WC1E 7LL. £5.

Markets' crash 'may slow growth to 2.3%'

By Philip Stephens, Economics Correspondent

THE GLOBAL equity markets' crash may slow Britain's growth rate to 2.3 per cent in 1988 from the 4 per cent now expected for this year, says the London Business School.

In its latest review of the economic outlook, the LBS also warns that if the events of the last few weeks provoke a recession in the US, the impact on Britain's economy may be even greater.

Before the sharp decline in stock markets began, the LBS was predicting a rise in UK output of 2.8 per cent next year. It believes that a sustained fall of 30 per cent in equity prices will reduce that to 2.3 per cent.

The impact will be felt through a deceleration in the growth of consumer spending at home and through a parallel weakening in activity abroad.

The LBS believes that consumer spending may now rise by 3.4 per cent next year rather than by the 3.9 per cent it was previously forecasting, while exports may increase by 3.9 per cent rather than 4.6 per cent.

Those updated forecasts, however, assume that the impact of the stock markets' crash remains limited to wealth losses for individuals and a higher cost of equity capital for industry.

According to Mr Alan Budd, the head of the LBS forecasting group, the effects will be more damaging if the crash creates a more general downturn in industrial and consumer confidence. In those circumstances, consumer savings' ratios might rise sharply and investment spending weaken considerably.

The US would be particularly vulnerable to such developments, particularly if the US Administration remains unable to reduce its budget.

● Cutbacks in imports by developing countries as a result of the debt crisis may have cost Britain 250,000 jobs in the 1980s, a study published by the Fabian Society says. The study, The Debt Crisis: The Third World and British Banks, was written by two Cambridge University economists, Mario Marcel and Gabriel Palma.

● The sharp decline in world stock markets is likely to improve longer-term growth prospects by puncturing inflationary expectations, the Liverpool Macroeconomic Research Group says.

Philip Stephens looks at the Chancellor's economic policy options

The paradox in Mr Lawson's choice

SLOWER economic growth but bigger tax cuts may turn out to be Britain's - apparently paradoxical - legacy from the slide on world stock markets over the past two weeks.

As the dust showed signs of settling at the end of last week, economists were poring over printouts delivered by their computer models of the economy to assess the likely damage.

The Treasury's analysis will be delivered tomorrow when Mr Nigel Lawson, the Chancellor, presents his Autumn Statement on the economy. The statement will contain the official view of prospects for everything from growth and inflation rates to consumer spending, manufacturing investment and the balance of payments.

If Mr Lawson's comments last Tuesday are any guide, it will be suitably optimistic. "The robust economic health and sound public finances that we have in this country put us in the strongest possible position to weather this storm", he told the House of Commons.

As the Treasury's computers continued to whirr late last week, the best guesses in Whitehall were that the Chancellor would forecast growth of around 2½ per cent next year, inflation of perhaps 3½ per cent and a relatively modest - perhaps £2bn or £3bn - deficit on the balance of payments.

He is also expected to say that the outlook for the public-sector borrowing requirement now looks considerably better than at the time of his March Budget, when he set a PSBR target for the current 1987-88 financial year of £4bn.

Such forecasts, of course, are far from infallible. At this time last year, the Treasury predicted that public borrowing in 1986-87 would total £7bn. It proved to be less than half of that and the Chancellor later commented that his economists had been "up the pole".

Judging the outlook this year will also be made much more complicated by the uncertainty over whether the recent storm on financial markets has blown itself out, or whether it might be repeated in coming weeks.

On the admittedly heroic assumption that the worst is over, the Treasury's forecasts are expected to be roughly in accordance with the views now emerging from independent economists.

What everyone has to been trying to judge is the extent to which consumers in Britain and abroad will react to the instant wealth losses they have suffered by reining back their spending and attempting to rebuild their savings.

The second question is whether industry's losses in terms of reduced, or eliminated, pension fund surpluses and a higher price of equity capital will feed through into a downturn in investment.

Some of the likely impact on both consumers and industry can be "modelled" on the ubiquitous computers, but the possibly damaging effect on what might be termed "confidence" is much more a matter of judgement.

The London Business School has revised down its forecasts of output growth next year from 2.8 to 2.3 per cent on the basis of a 30 per cent fall in equity prices. It adds, however, that possible spillover effects on confidence might push the outturn to below 2 per cent.

Mr Gavyn Davies at Goldman Sachs, the US securities house, believes the main conduit for slower growth in Britain will be through a sharp weakening in activity in the US. That, with slightly stronger sterling and some small reduction in the rate of growth of consumer spending, might in theory reduce Britain's growth rate by 1 percentage point.

He predicts, however, two significant offsets in the form of lower interest rates and a decision by the Chancellor to opt for much larger tax cuts than up to now seemed likely. The net result may be growth next year of 2¼ per cent rather than the 2½ per cent he was forecasting previously.

Economists at Morgan Grenfell, the securities house, are similarly sanguine. They believe the sharp fall in stock-market asset prices should depress demand for credit and alleviate fears that this year's 4 per cent growth rate had put the economy in danger of overheating.

It is here that the apparent paradox between slower growth and bigger tax cuts is explained.

In spite of the buoyancy of government revenues, City fears that the economy was at risk of overheating, although officially dismissed in Whitehall, might well have acted as a brake on the Chancellor's tax-cutting ambitions.

With consumer spending rising strongly and imports growing faster than exports, Mr Lawson has faced considerable pressure within the Treasury to allocate available cash to reducing the borrowing target rather than to cutting tax rates.

Goldman Sachs is now predicting that price rises next year will run at 4 per cent rather than 4¾ per cent. The present round of downward revisions to projections of both growth and inflation rates is likely to ease pressure from financial markets for further reductions in the PSBR.

That would fit neatly with Mr Lawson's ambitions to reduce the basic rate of tax to 25p as soon as it is "prudently" possible and with a move to use the first budget of the new parliament to cut the higher rates.

None of that is to suggest that Mr Lawson does not face problems. In spite of the apparent calm at The end of last week, there is still a risk that the stock markets' crash might generate first a US and then a world recession.

A growth rate of 2½ per cent next year would put a question mark over further significant reductions in unemployment, still close to 3m.

An even slower pace of expansion in the rest of the world is hardly auspicious for Britain's trade position, which has continued to deteriorate sharply in 1987.

Barring another storm on the markets, however, Mr Lawson should at least find scope this week for an optimistic gloss.

COMPANY directors are confident about prospects for the economy, according to a poll for the Institute of Directors. Some 84 per cent reported that their businesses were doing "well" or "very well."

The institute says today that rising optimism among its members both over the outlook for their own companies and for the economy is in stark contrast to the recent pessimism on financial markets.

The bi-monthly poll was taken before the stock market crash, but Ms Judith Chaplin, head of the institute's policy unit, said the survey showed that the lack of confidence in financial markets was not shared by directors.

Nearly 80 per cent of respondents said the trend in the volume of their business was higher than a year ago. More than 60 per cent were more optimistic than 6 months ago, and a similar number said that their profits position had improved over the same period.

Two-thirds of companies forecast a rise in employment during the next six months.

Backing grows for BA-BCal tie

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PRESSURE FOR the proposed merger between British Airways and British Caledonian Airways is mounting as the deadline for submission to the Government of the Monopolies and Mergers Commission study of the plan draws closer.

The report is due this week, on Thursday or earlier. However, although Lord Young, Secretary for Trade, has promised a fast decision, it might still be weeks before the report is presented to Parliament, depending on how complex the commission's verdict may be.

The commission has three options:

● Outright rejection, which few believe likely.

● Unconditional acceptance, which seems unlikely.

● Qualified acceptance, the decision now widely thought likely by the UK air-transport industry.

None the less, both sides in the debate - the BA-BCal group and the hostile independent airlines - are increasing lobbying.

Cross-party support is emerging in the Commons. An early day motion - Parliament's way of expressing a view on such issues - is attracting many MPs' signatures, including those of Mr Michael Colvin, chairman of the Parliamentary Conservative Aviation Committee, Mr Douglas Hoyle, chairman of the Labour Party Trade and Industry Committee, and other MPs from both sides of the House.

It says the merger is in the public interest: there are needs to ensure that Britain maintains an airline "strong enough to compete aggressively against foreign airlines" and to "resolve the current difficulties of British Caledonian in a speedy and satisfactory manner."

● The Transport Department's study of improved surface access links to London Heathrow Airport, issued in June, has been rejected by environmental groups around the airport. The Federation of Heathrow Anti-Noise Groups says of the report that the consultants involved failed to recognise the problem's magnitude.

Fhang says the study fails to recognise the need for a transport system suited to the world's busiest international airport; that proposals for road improvements are inadequate and based on incorrect data; and that it ignores traffic generated by other developments in the M4-M25 motorway corridor to and from the airport.

Fhang says a rail link into Paddington Station, London, is the most attractive method of improving access to Heathrow.

Earnings scheme urged for long-term unemployed

BY CHARLES LEADBEATER, LABOUR STAFF

THE GOVERNMENT should consider introducing an employment credit scheme, which would allow people who have been unemployed for more than 12 months to combine their benefit payments with earnings from part-time work, according to a report published today.

The report, by Action, the long-term unemployment pressure group, calls on the Government to set up pilot schemes in inner-city areas, with the collaboration of voluntary organisations and the Manpower Services Commission, to test the effectiveness of the proposal.

It suggests that the long-term unemployed should be allowed to earn up to £40 a week for a maximum of six months while claiming benefit. Earnings, mainly from part-time jobs, would be credited by employers to savings accounts until they came off benefit after finding a permanent job. The account could then be drawn on.

Under present social security regulations, unemployed people are allowed to earn up to only £4 a week without losing benefit entitlement.

The report says the build-up of savings would create an additional incentive for people to find work, as well as helping to reintegrate the long-term unemployed into the labour market by providing work experience. By allowing the unemployed to take part-time jobs, such schemes would also provide an alternative to the cash-in-hand black economy in which some participate.

Back in Credit, Action, 100 Park Village East, London NW1 3SR. £2.95 incl p&p.

Shoe orders fall as imports continue rising

BY ALICE RAWSTHORN

THE BRITISH FOOTWEAR industry faces difficult trading conditions. The latest industry figures indicate a fall in the levels of orders to British manufacturers and a continued surge in imports.

For the footwear industry, which only recently emerged from a severe recession, the fall in demand and rise in imports will come as a bitter blow. In the past year or so, British shoe manufacturers have regained some of the confidence lost in the years of cuts and closures that followed the declines of the early 1980s.

The latest figures from the British Footwear Manufacturers Federation paint a worrying picture for the industry. Although the present level of output is relatively stable, there has been a fall in orders and an increase in imports, which augurs ill for the future.

The level of orders received by manufacturers in August was 14 per cent lower at 11.3m pairs than in the same month last year. The value of orders increased, but the fall in volume might cause capacity difficulties within the industry.

The flow of imported shoes coming into the UK accelerated. In August, imports rose by 8 per cent to 12m pairs and by 9 per cent in value to £69.5m. That follows a year in which the value of imports has increased steadily, by 12 per cent to £777.8m.

The increase in imports has been concentrated on cheap non-leather shoes from the Far East. China and South Korea headed the most dramatic growth. The influx of imports from both countries has doubled so far this year.

One cheering note for the British industry is that the flow of imports from EC countries has continued to fall. Imports from the EC fell by 11 per cent to 50.9m pairs in the first eight months of 1987.

Imports from Italian shoe producers - which caused so much damage to the British industry in the 1960s and 1970s - have dropped by 23 per cent to 26.5m pairs. The Italian industry has suffered from the comparative strength of the country's currency.

US companies look for British partners

BY DAVID THOMAS

THE US Department of Commerce is today trying to put small high-tech US concerns in touch with British companies in one of the largest exhibitions it has organised outside the US.

About 80 small US companies, in fields such as computers, telecommunications, components, satellite equipment and software, are trying to find British partners at a three-day exhibition at the headquarters of the Confederation of British Industry in London.

The companies are looking to British business to forge joint ventures and licensing deals, as well as to sell their products and services.

The exhibition, called Matchmakers 87, is co-sponsored by the US Government and the CBI and is aimed at launching into foreign markets US companies that would be too small to make the effort by themselves. Some of the companies will travel on to Paris for a similar exhibition.

The Department of Commerce has organised the exhibition annually in the UK for the last three years but the previous ones have been on a smaller scale.

Last year, 40 US companies exhibited and secured 235 sales leads, 52 agency agreements for the sale of their products, eight manufacturing licensing deals and seven joint ventures.

After the success of the events in London, the US government has organised similar exhibitions in Spain, Belgium, the Netherlands, Venezuela and Argentina.

Fewer visitors to Ulster

BY OUR BELFAST CORRESPONDENT

VISITORS TO Northern Ireland injected £82m into the economy last year. However, while revenue went up, the total numbers visiting the province dropped by 4 per cent.

The figures are in the annual report for 1986 of the Northern Ireland Tourist Board, which reported that most markets yielded extremely encouraging increases in the number of visitors.

Continental Europe gave a 28 per cent increase and there was an 8 per cent rise from Great Britain. The number of French tourists visiting Northern Ireland doubled last year and Germany recorded a 44 per cent increase.

On the debit side, the number of American visitors to Northern Ireland fell by 25 per cent, while in the Republic of Ireland, economic factors and the threat of civil unrest resulted in a 20 per cent drop.

However, Sir John Swinson, the tourist board chairman, said the number of visitors was again on the increase.

Estimates produced by the board predict that 1987 will produce a 6 per cent rise in the number of visitors, bringing the total from 824,000 to 887,000.

John Griffiths reports on motor industry expansions

Panther to switch output to integrated site at Harlow

PANTHER, the sports car maker, has acquired a factory and a four-acre site at Harlow, Essex, to which all production is to be transferred from its existing home in Surrey, starting in January.

A 76,000 sq ft former printing plant forms the core of the £3m project, which will allow Panther to combine production of its new 150mph sports car, the Solo, with its other activities under one roof.

Mr Young Kim, Pather's chairman, said at the weekend that when the facility is fully operative, the company expects to recruit 160-220 employees to build 600 Solo and about 350 of the existing Kallista sports cars a year, as well as providing engineering services to outside companies.

Mr Kim said he expected up to 30 management and professional staff to transfer to Harlow from the Byfleet site, which once formed part of the Brooklands motor racing circuit.

The 70 employees who are not transferring have all been offered redundancy, said Mr Kim.

An important factor in the choice of the Harlow site was the availability of additional land.

If Panther's plans proceed as envisaged, the land could be brought into use for additional production of a light four-wheel-drive vehicle, being developed by Dong-A-Motor, South Korea's fourth largest vehicle maker and subsidiary of Panther's parent, the Ssangyong Industrial Group.

Panther expects to produce at least 2,000 of the vehicles a year for sale in Europe as the Panther Stampede. It would differ from the Korean-built version in that only bodyshells and some minor parts would be imported from Korea, with the engine transmission, trim and other high-value parts coming from within Europe.

Mr Kim, who admits to occasional bouts of excessive optimism, had said in the summer - when Ssangyong took its 80 per cent stake in Panther - that US sales of the Stampede could also be supplied from Harlow.

The US market now looks more likely to be served by the 20,000 units a year production from Dong-A- itself.

The vehicle is undergoing modification - it has been criticised as bearing too strong a resemblance to Isuzu of Japan's Trooper model. Production is unlikely to start before the end of next year

Panther's design and engineering division will move to Harlow first in January, followed by Kallista assembly in March and Solo production in July. So far, Panther has taken £500 deposits on 90 Solos, which will sell for £28,000 each.

Nissan introduces night shift at Washington to increase output

NISSAN's UK car manufacturing subsidiary will introduce a night shift for the first time tonight.

The move is part of a programme to increase output at its Washington, Tyne and Wear, plant from 29,000 this year to more than 40,000 in 1988.

The shift is being started about a year ahead of the schedule envisaged when the agreement to set up the plant was signed between Nissan and the UK Government in the early 1980s.

The 300 people recruited for the shift, of whom the company says half were previously unemployed, bring the current total workforce to 1,100.

The company, Nissan Motor Manufacturing UK, forecasts that 2,700 people will be employed when the plant reaches full output of 100,000 Bluebird cars a year in 1991.

Starting next year, Washington's output will be classified as having a European content of 60 per cent, measured by ex-factory-gate price, and thus can be classified as 'British.'

There is growing debate as to whether the 'local' content threshold for a vehicle to be classified as European should be raised to about 80 per cent.

However, under current rules this will allow Nissan both to start exports to the Continent from Washington next year and to have Washington's output removed from the quota currently applied to Nissan's imports under the Anglo-Japanese "gentlemen's agreement."

Currently, cars built at Washington are treated as Japanese and deducted from Nissan's quota of roughly 110,000 cars a year.

Housing plans 'unlikely to solve crisis'

By Michael Dixon

GOVERNMENT-PROPOSED housing reforms are unlikely to solve the housing crisis, the Institute of Housing says in a study issued today. Institute members work mainly in local authorities and housing associations.

The report says the proposals are an act of faith over experience, built largely without practical understanding of how they would operate. It says they are unlikely to provide enough houses to meet needs in areas of shortage and that the institute is hardly confident that the measures will improve standards of maintenance or new buildings.

It says the proposals' ability to raise the quality of management in the rented sector is largely unproven and that they will result in a marginal, extremely selective rise in consumers' real power of choice.

Response to consultation papers on government housing proposals; Institute of Housing, 9 White Lion Street, London N1 9XJ.

Report answers retail questions

By Alice Rawsthorn

QUESTIONS: Which supermarket group has the most affluent clientele? Which fashion retailing chain attracts the youngest customers? And which appeals to the oldest?

Answers: Waitrose, part of the John Lewis Partnership, can boast the most upmarket customers of all the national supermarket chains. Next for Men claims the youngest customer profile of the fashion retailers, followed closely by the Burton Group's Top Man and Sears' Wallis. C & A attracts the highest proportion of customers aged over 55.

Those findings are part of a survey commissioned by Verdict Research, the retail consultancy, to gauge the degree of segmentation in the retail marketplace.

"Market segmentation," by which different businesses are targeted towards specific groups of consumers, has become one of the buzzwords of retailing in the 1980s. Yet the Verdict report suggests that the level of segmentation varies widely from sector to sector.

Fashion retailing is the area in which segmentation is most sophisticated. Verdict cites the Burton Group and Next as examples of companies that have used the concept to greatest effect.

The report suggests, however, that too many fashion retailers are concentrating on attracting too small a sector of the population. Too many companies are competing for the young adult market, for example. Such groups are thus missing the opportunity to nurture the lucrative new market of the increasingly affluent over-45 age group.

The concept of market segmentation has only just begun to be adopted within the DIY, electrical and footwear sectors. By contrast, the concept has yet to be developed within the furniture market, where many retailers still attempt to be "all things to all people". The exceptions are Habitat and Heals within the Storehouse group.

Verdict expects the segmentation of retail markets to intensify in the future, as retailers attempt to steal a competitive edge over their rivals.

Retail Market Segmentation, published by Verdict Research. 112 High Holborn, London WC1V 6JS. £450.

Post Office finance curbs blamed for poor service

BY DAVID THOMAS

GOVERNMENT financial controls on the Post Office are at the root of the corporation's failure to meet its quality-of-service targets, according to a new report.

The report is the annual review of the Post Office published by the Post Office Users' National Council, the statutory body representing customers.

The council report echoes recent criticism of Post Office performance made by several organisations.

A survey by the council of mail posted in the Tonbridge area of Kent showed that 62 per cent of first-class letters reached their destination the next day, compared with a Post Office claim of not far short of its 90 per cent target.

Part of the disparity stems from different definitions of delivery performance. Sir Bryan Nicholson, the new Post Office chairman, has ordered a study of whether the corporation can start measuring from time of posting to time of delivery, the basis preferred by user groups.

The users' council found a particularly poor delivery performance at the end of the week. The Post Office is to review how weekend postal services can be improved.

The council's report also said that a special scheme introduced last year to improve delivery performance between London and 20 large towns had generally had disappointing results.

Mr Tom Corrigan, chairman of the users' council, attacked the Government's external financing policy. "The financial controls imnposed by Government have resulted in inadequate investment in recent years and customers are now paying the price through inadequate service," he said.

The council recommends that negative external financing limits on the Post Office should be replaced by payment of a dividend. Other recommendations include:

- No tariff increases until quality of service targets are consistently met.
- Local and long-distance quality targets, together with letter district performance, should be published.
- Introduction of part-time workers into the corporation should be speeded up.
- Information on queueing at counters should be published to identify black spots.

Customer Audit and Review of the Post Office 1987. POUNC, Waterloo Bridge House, Waterloo Road, London SE1 8UA.

Companies' charity donations rise 35%

BY RALPH ATKINS

THE TOP 200 companies in Britain increased donations to charity by 35 per cent in 1986 and are taking a more professional approach to giving, according to a report.

The Directory of Social Change, which carries out research for charities, calculates that large companies increased gifts from £46m in 1985 to £62m last year.

However, an estimated £4½m of the increase is due to mergers and takovers, which increased the average size of companies in the top 200.

The increased generosity of companies has accompanied rising profits but has led companies to think more about their policy towards appeals for money.

"Many more are employing full-time staff with a responsibility for community affairs and companies are giving thought to why they are giving and how they can relate this to their business," the study says.

Some companies, faced with a deluge of appeals, are beginning to adopt a selective approach, imposing criteria on what they are prepared to support.

Money is directed to areas of work or parts of the country in which they are particularly interested.

For example, the study reports, a substantial portion of the charity budget of Burton, the retailing group, is devoted to two projects. One uses a redundant Burton building, the other raises money by selling ends of lines from cloth manufacturers.

The study includes a league table of charitable donations by large companies in 1986. At the top is the National Westminster Bank, which gave £8.1m, followed by IBM United Kingdom with £3.67m, and Marks and Spencer, with £2.96m.

However, the study says the list does not allow fair comparisons because it is compiled only from published accounts.

There is no standard practice as to what should count as charitable donations. Some companies prefer to declare only a minimum figure.

Company Charitable Giving, 1987 Statistics. Directory of Social Change, Radius Works, Back Lane, London NW3 1HL. £10.

Local taxes 'would rise on revaluation'

By Ralph Atkins

SOME HOUSEHOLDS would face big rises in tax paid to local councils even if the Government dropped plans for a community charge or poll tax, says a study by Fuller Peiser, chartered surveyor.

It says that if the community charge were abandoned and the domestic rating system kept, a revaluation of property would be urgently needed.

That would alter rates significantly because of substantial changes in property values since the latest revaluation, in 1973.

The study is based on 131 properties in nine areas. It says changes in rateable values might vary by more than 700 per cent between different types of property in the same region.

Big rate rises would be experienced by many lower and middle-income groups, particularly those in terraced housing in northern England.

Occupiers of purpose-built and detached houses would face lower rises; in some cases their rates might be cut.

Domestic Rates: The Significance of No Change; Research Department, Fuller Peiser, 16 St George Street, Hanover Square, London W1R 9DE.

Oxford may offer business course

By Michael Dixon, Education Correspondent

OXFORD University is considering offering courses in business management to safeguard its student enrolments as Britain's teenage population falls sharply in the 1990s.

Proposals under examination by a committee of Oxford dons headed by Sir Claus Moser, warden of Wadham College, encompass large-scale provision of management courses for bachelor degrees as well as expansion at postgraduate level.

Although higher-degree studies are already available at the privately endowed Templeton College - which also runs practical programmes for experienced executives - the university at present provides very little teaching in management for undergraduates.

Leading dons at Oxford have been impressed by the rapid growth in demand for bachelor-degree management courses at universities such as Bath, Warwick and the University of Manchester Institute of Science and Technology.

Between 1981 and 1986 applications from British candidates for university undergraduate courses in management increased from 3,990 to 5,477. As a result, management jumped to fourth place in the league table of student demand.

Its growth in popularity with prospective students has far surpassed the increase in the supply of places available.

Oxford's academic leaders see the market gap created by the shortage of supply as a potential means of maintaining the university's undergraduate numbers during the impending decline of the teenage population.

"Even major universities like ourselves are likely to have to compete hard for students, especially since the Government has added an extra 50,000 undergraduate places to the quota it had previously planned," said a don yesterday.

Other senior academics, however, fear that the probable expansion of management courses will worsen the decline in enrolments to other kinds of studies important to Britain's future.

Studies seen as threatened include mathematics and natural sciences - key sources of much needed specialist teachers for schools - and engineering, particularly the mechanical and civil branches, which with chemistry have suffered a severe drop in student applications this year.

Richard Waters looks at the tougher City regime

Why auditors feel disconcerted by their new responsibilities

AUDITORS to financial services companies are feeling distinctly jittery. New responsibilities due to be placed on them by the City's self-regulatory organisations are looking all the more onerous in the light of recent events in the financial markets.

The audit requirements for investment businesses will not be finalised until the self-regulatory organisations put the finishing touches to their rule books over the coming weeks. But it seems certain that auditors will be expected to report on financial resources and control systems, provide assurances about client money held by investment businesses and report to regulators behind their own clients' backs in extreme circumstances.

"What it all adds up to is a lot more work," says Mr Martyn Jones, an auditor at Touche Ross. Estimates of the cost of the extra work are put at between 25 per cent and 50 per cent of existing audit fees, although auditors say they will have to await the small print of the rules to put a final figure on it.

The auditors feel particularly uncomfortable about the duty to to report to the City's regulators if they have reason to suspect that anything has undermined the financial viability of a client, unless they can persuade the client to go to the regulators directly.

A similar provision in the Banking Act, which became law last month, met considerable resistance from auditors. After months of discussion, it was finally made more palatable by a modification that limited the scope of the requirement to report information uncovered during an audit.

"Otherwise, it would be presupposed that we should pick up anything at all that was wrong," said Mr Colin Brown, head of audit at Price Waterhouse.

The same stipulation does not exist in the audit rules being introduced by the self-regulatory organisations. One implication is that auditors will need to be alert at all times and in the case of securities businesses especially when financial markets are in turmoil.

'We have been surveying some clients closely over the past couple of weeks'

Auditors already keep in touch with their clients when events dictate. "We have been watching a number of our clients very closely in the past couple of weeks," said Mr Paul Rutteman, in charge of the financial services group at Arthur Young. But they do not want it to become an accepted part of the regulatory mechanism.

The Securities Association, the self-regulatory body for the securities industry, is keen to reassure auditors. "Putting a real-time obligation on them would be unreasonable," said Mr Christopher Woodburn, head of financial regulation. "In 99 cases out of 100, things will come up during the audit or through their normal communication with clients."

Also, he says, it will only be in extreme cases that auditors feel the need to report to regulators behind their clients' backs. But the potential exposure of audit firms to lawsuits if they fail to sound the alarm when things are going wrong makes them feel nervous all the same.

Drawing a line where the auditor's responsibility ends will be a difficult task for the self-regulatory organisations. Auditors are worried about what their relationships with those bodies will be.

Relations between the Bank of England and bank auditors have developed over a number of years. Large audit firms claim they have anyway always found ways of alerting the Bank *in extremis*, but the new rule to report behind clients' backs in some cases will give more muscle to small firms.

"The Bank is taking a sensible and realistic approach," said Mr Brown.

SROs might be different. They will be under pressure to prove that they are effective regulators and are likely to see the auditors as the front line of their attack on abuses. Over-zealous regulation by self-regulatory organisations might leave the auditors uncomfortably in the middle.

"This is something we are very concerned about," said one auditor.

Meanwhile, the stress of the past two weeks is focusing the accountants' minds on the capital adequacy rules governing securities firms. According to some auditors, these are not as tough as the rules for banks - a fact that is becoming painfully clear at the moment.

The Securities Association this week considered an internal report on the effect in the past two weeks of the market's volatility on the capital adequacy of its members.

"We are not immediately going to bump up the requirements," said Mr Woodburn. Current capital requirements are drawn up on the basis of five years of market figures, he said.

However, signs of long-term instability in the stock market would force the exchange to increase the capital burden on members at the risk of squeezing their margins still further.

The financial fallout of the past two weeks will begin to become clear today, as firms settle bargains in the last Stock Exchange account. Auditors will be standing nervously by.

Duke to join talks on urban problems

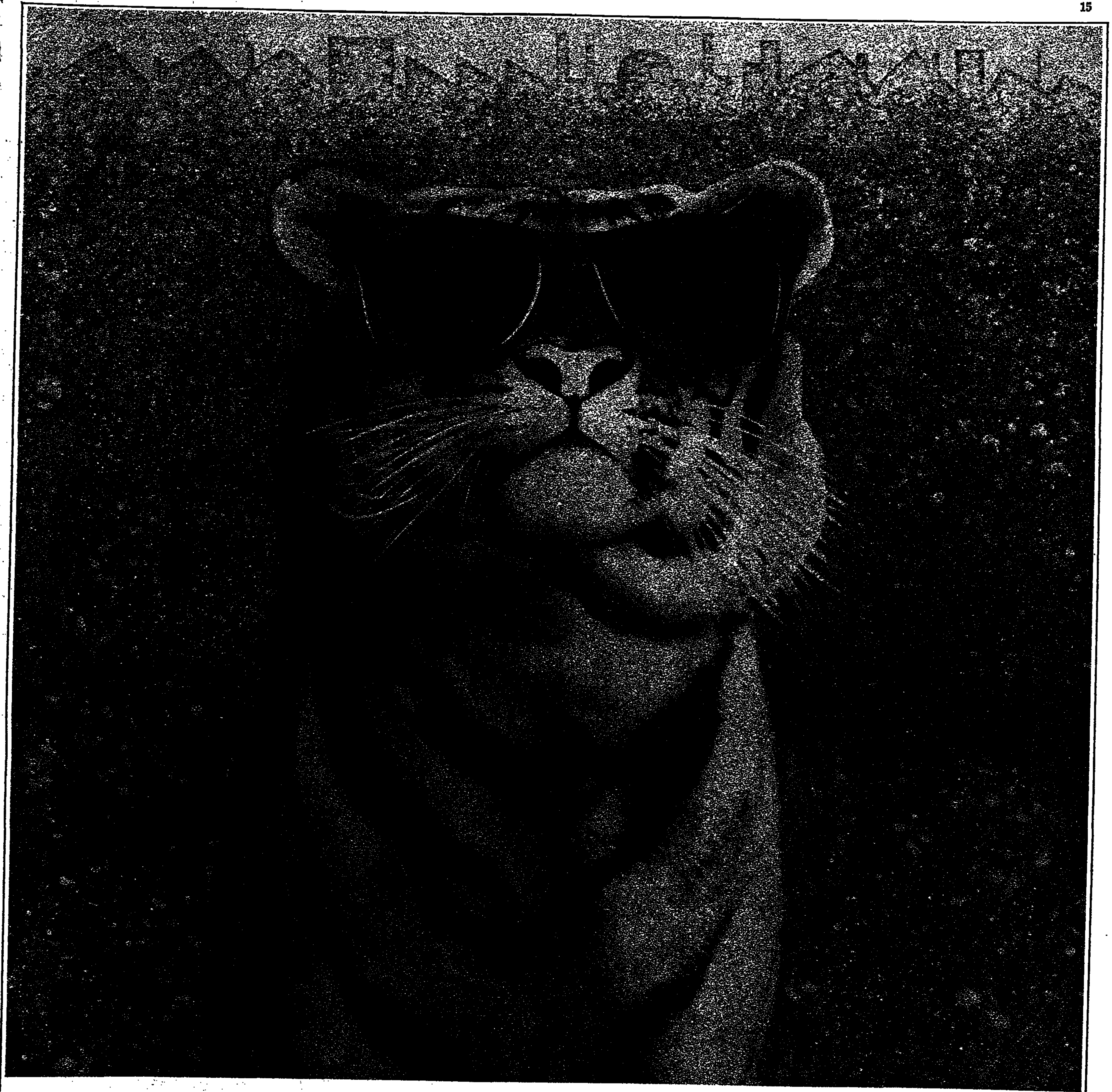
BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

THE DUKE of Edinburgh is to take part in a national conference on urban problems organised by the Industrial Society in Liverpool with sponsorship from the National Westminster Bank.

The society believes it is better to build links between leaders in commerce and industry, the public sector and voluntary organisations, rather than to try to solve problems directly.

It has already encouraged that approach in Sheffield, where it was partly responsible for ending a long-standing war of words between the business community and the Labour city council. However, a similar approach in Liverpool has been less successful so far.

The conference, to be held in March, will bring together nearly 500 people, 20 each from 24 cities and towns.



If UK 2000 wasn't so important, we'd be happy to remain anonymous.

Is making Britain a better place a bit of a pipedream? Those of us who have become involved in UK 2000 don't think so.

The thrust of this new national venture is to 'green' our cities; restore our industrial heritage, the 19th century mills and warehouses; tackle litter and recycle waste; turn neglected woodlands, canals, ponds and footpaths from eyesores into amenities; and make our tourist sites more attractive.

UK 2000 will run to the year 2000 and provide local, community-run projects, involving volunteers and the unemployed.

Esso is helping projects and training by providing funds, experience and people. We have seconded skilled staff to contribute to the management of UK 2000, including the Director of UK 2000's Scottish operation.

We already support the British Trust for Conservation Volunteers, the Civic Trust, Community Service Volunteers and Groundwork, four of the many groups taking part.

Esso is also active with bodies like the RSPB, the Nature Conservancy Council and the Countryside Commission on other environmental projects. In this European Year of the Environment we hope our involvement in UK 2000 will be even more helpful.

UK 2000 is a partnership between industry, voluntary groups and government, but it also needs individual support.

Please can we urge you to find out more, by writing to UK 2000, 2-3 Horse and Dolphin Yard, Macclesfield Street, London WIV 7LG.

Or telephone 01-631 3826/5160.

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We simply can't keep asking them to soldier on, working miracles in a hospital that's antiquated, overcrowded and frustrating. Smiling through in the best Vera Lynn tradition.

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They didn't know that children get better quicker when their mums and dads are on hand, and that we'd have to give beds to 150 parents each night.

Least of all could they have imagined our hi-tech, computerised intensive care equipment. So don't blame them for the tiny cubicles in which our nurses sit sweltering for hours.

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The new Great Ormond Street.

Gradually, over the next seven years, we're going to build a modern hospital on the same site.

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There'll be individual rooms where children can live with their parents for weeks on end if necessary.

(At present mums and dads have to doss down on camp beds in playrooms, without private washing facilities.)

There'll be more theatres. And post-operative recovery rooms (the kids come round in the corridors at present).

We'll have different playrooms for infants and adolescents. And gardens. And light, airy corridors.

But where's the money coming from?

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The DHSS is making a major contribution. The absolute most it can afford. But we still have to raise £30 million.

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2. Send a cheque by post to The Wishing Well Appeal for GOS, Midland Bank, 8 Cooper's Row, London EC3N 2BD.

3. Tell everyone how important it is. Organise fund raising at work, in your street or village.

And please, give a little more than you can afford. Our nurses and doctors always do.

To The Wishing Well Appeal for GOS, Midland Bank plc, 8 Cooper's Row, London EC3N 2BD. (Registered Charity No. 288763). I want to help Great Ormond Street get better: please accept this cheque for £________ made out to The Wishing Well Appeal for GOS. Name________ (BLOCK CAPITALS, PLEASE)
Address________

Please charge to my ☐ ☐ ☐ ☐ Account No. ________ Expiry Date ________ the sum of £________ Credit card phone line 01-831 1199

If you need a receipt please tick here ☐; if not, please accept our warmest thanks for your help and also for helping to restrict administrative expenses.
Please tick the relevant boxes if you would like to know more about the Appeal ☐ Local Fund Raising ☐ Covenants ☐ Deposited Covenants ☐

Help Great Ormond Street get better.

THE MONDAY PAGE

The long-term legacy of the bull market

RICHARD LAMBERT

I HOPE YOU all feel thoroughly ashamed of yourselves. The great bull market, it now seems to be generally agreed, was an act of collective folly of a kind not seen since the South Sea Bubble. The wonder is not that share prices have fallen, but rather that they went up so far in the first place.

With all the wisdom that comes from hindsight, stock market pundits have vied with each other during the past fortnight to deride the blindness and greed which drove equities up to such wild peaks. Of course, it is not quite clear what these philosophers were up to while the excesses were actually being perpetrated. No doubt they felt that the lesson had to be learnt the hard way.

In any event, the popular view is that a bubble has burst, and left nothing of lasting value in its place.

Nothing could be further from the truth. The worldwide bull market, which ended in such a spectacular fashion two weeks ago, led to a number of significant economic changes of lasting importance and value. Although the legacy includes missed opportunities and some financial time-bombs, the excesses were not out of the ordinary by past standards. And the overall impact on the shape and structure of companies around the world was unprecedented.

Most obviously, the prolonged rise in share prices made possible a dramatic shift in the balance of power between the state and the private sector. The concept of privatisation has been seized on by governments of all types - left and right, rich and poor - as a way of raising funds, and of coming to terms with a world in which economic policies based on centralised state controls have been subjected to a variety of pressures favouring greater reliance on market forces.

According to an analysis published this summer by Salomon Brothers, at least 55 state-owned entities have been shifted into the private sector around the world since 1980, raising proceeds of about $48bn (£28bn). Transfers on this scale would simply not have been possible without a buoyant secondary market.

A second lasting benefit brought about by the bull market has been the recapitalisation of important sectors of industry and commerce. Companies have been able to seize the opportunity to rebuild balance sheets which had been devastated by the period of high inflation and low profitability in the 1970s.

Admittedly, this has not happened everywhere. The US corporate sector has behaved in what, to the historian, will look like an extraordinarily perverse way by replacing equity with debt in a period of high real interest rates and low dividend costs. As a result, the ratio of debt to equity in all US companies outside the financial sector has climbed from 1:085 in 1982 to a current level of 1.268.

Contrast this with the experience of Italy, where companies like Fiat or Montedison have been able to transform their financial structures on the back of the strength in their share prices.

The bull market has not simply encouraged *financial reconstruction*. It has also led to one of the greatest waves of corporate restructuring in business history. The long-term outcome of the takeover boom is very uncertain, but there are a couple of positive points to make.

The first lies in the contrast between the general character of recent takeovers and the events of the late 1960s, the so-called go-go years. Then the chief aim of acquirers was to achieve earnings growth, which often turned out simply to be a freak of accounting. That encouraged the growth of conglomerates, which tended to fall apart at the first sign of economic trouble.

The takeover kings of the 1980s, however, have been mainly interested in buying undervalued assets. As a result, poor performing conglomerates have been broken up and their component parts often sold on to stronger owners. There has also been a great number of divestments, with companies slimming down their portfolios to concentrate on core businesses.

That sounds more sensible than the policies of the late 1960s. And there are more specific arguments to be made, too, for the changes that have taken place in individual business sectors.

Take what is perhaps the biggest upheaval of them all - the reshaping by takeover of the US oil industry. Increases in the price of crude and in the cost of exploration and development, reductions in consumption and a highly uncertain price outlook for prices: all this transformed the economics of the business and meant that the industry had to shrink, by way of asset sales and the return of capital to investors.

So much for the potential long term benefits of the bull market. There are also some sizeable items on the debit side. The international securities industry has almost certainly over-expanded, on the back of a prolonged period of extraordinarily high profits. The pain of the likely contraction will depend on business conditions in the next few months.

The biggest single hazard could turn out to come from the wave of leveraged buyouts. Developed mainly in the US and backed with enormous pools of money, this was a concept from which everyone appeared to win - in a bull market.

Shareholders were bought out at a premium, investors made a very high return on their funds, and managers made a fortune. But it created balance sheets which were hardly worthy of the name: so lopsided that they had to rely on asset sales and steadily rising cash flow. In the event of a prolonged recession, the buyouts of the 1980s could turn out to be the equivalent of the pyramid trusts of the 1920s.

In addition, there are those who would argue that the biggest victim of the bull market has been business morality: that ethics have given way to greed, and that long-established standards have been abandoned.

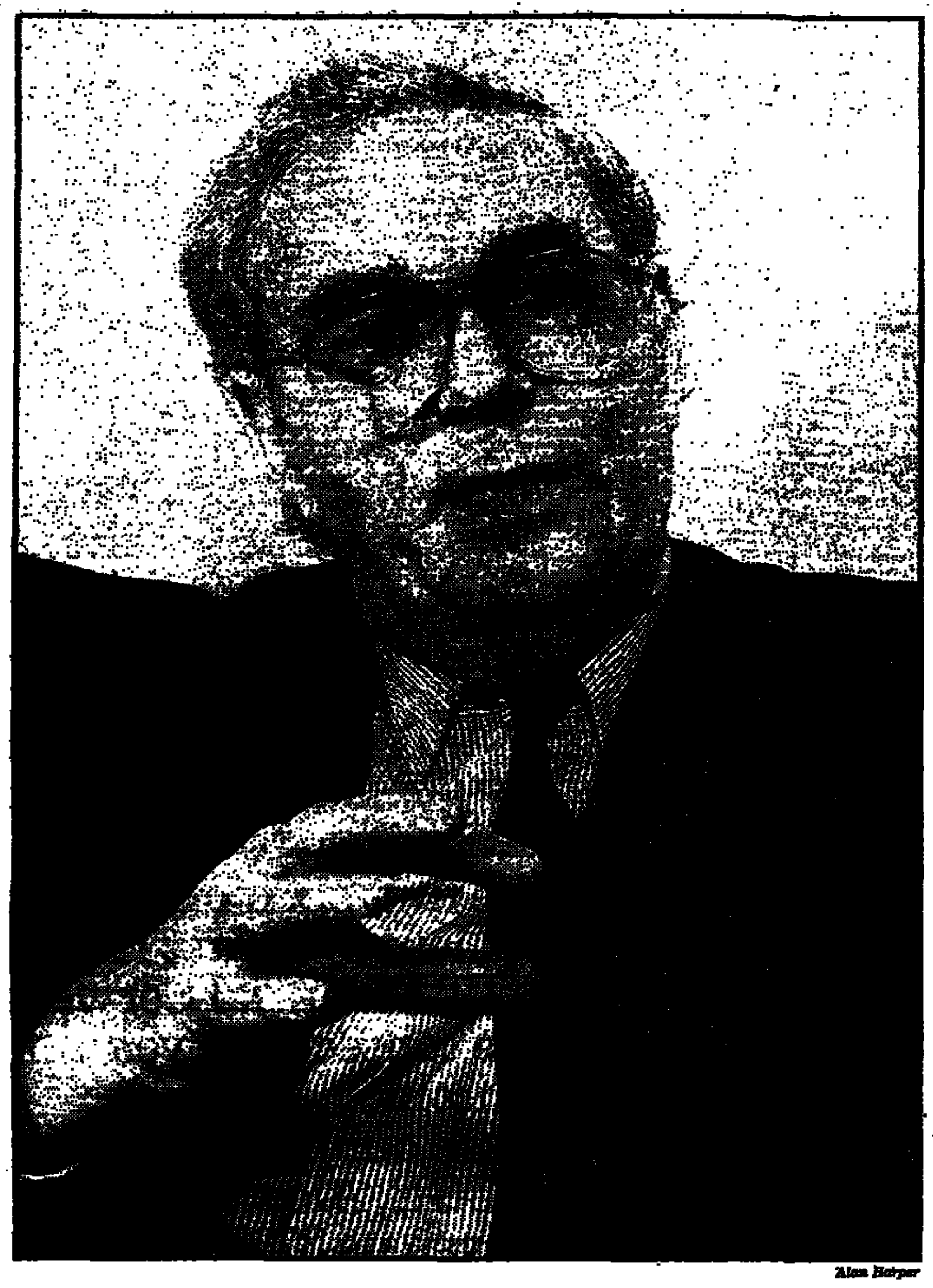
Despite the insider dealing scandals and the conspicuous consumption, this is a dubious proposition. The landmark insider dealing case remains that of Texas Gulf Sulphur in 1964, when large numbers of employees and others bought shares ahead of the announcement of a major new mine. And it was back in the 1920 s that the innocent tourist, being shown the grand vessels of bankers and brokers in New York harbour, asked the immortal question:"Where are the customers' yachts?"

The reality is that business morality, like the stock market, is cyclical. It is, no doubt, a great comfort to think that every decline in the market indices is making the financial community just that little bit more virtuous.

INTERVIEW

In praise of self regulation

Alexander Nicoll talks to Robert Fell, new head of Hong Kong's stock exchange



Alan Harper

WHEN ROBERT FELL steps off the aircraft at Kai Tak airport today, it will be the third time that he has been asked to apply his strong but careful hand when problems have arisen in Hong Kong's volatile financial markets.

Last week, the colony's government called him out of a brief two-month retirement in Guildford, Surrey, to play troubleshooter in the territory's stock market crisis. He appears an unlikely Lone Ranger, especially for such a frontier as Hong Kong. He looks like the former senior civil servant that he is, with thick glasses and a soft Cumberland accent.

Personal File

1921: Born; educated Whitehaven Grammar School, Cumberland.
1940-1947: Royal Corps of Signals.
1947: Joined Board of Trade; held posts in Australia and India.
1967-71: Under secretary in charge of commercial relations with US and Latin America.
1971-74: Chief executive of Export Credits Guarantee Department.
1975-81: Chief executive of London Stock Exchange
1981: Seconded to Hong Kong for six months as Commissioner for Securities; kept the job until 1984 when he was appointed Banking Commissioner.
1987: Retired; now recalled as chief executive of Hong Kong Stock Exchange.

"We've got, as Mr Harold Macmillan would have put it, a little local difficulty," Mr Fell says - for he fervently believes that the economy and future of Hong Kong are both very sound and that better self-regulatory market mechanisms simply need to be put in place to ensure that they remain so.

Though the cause of the crash was external to Hong Kong, it had caught the territory with still inadequate market structures - there is still no system for ensuring prompt and efficient settlement of transactions, for example - and had exposed the urgent need for their improvement. In a bull market where everybody was making money, the need for change was not so apparent. "It's a problem that's very simple to state, but obviously now we've got to take action more quickly."

The difficulties may indeed turn out to be local. Last week, however, the drama of huge *potential defaults on Hong Kong's* futures and stock exchanges was played out on the world stage, as the first crisis thrown up by the global stock market crash. With banks and brokers' operations becoming increasingly international, big losses in Hong Kong could have caused a serious chain reaction in other financial centres.

Though the immediate problem appears to have been averted by the Government's swift arrangement of a HK$4bn (£303m) lifeboat scheme for defaulting brokers, Mr Fell still has a lot of weight thrust on his shoulders.

The crisis has cast doubts on Hong Kong's future status as an international financial centre, particularly as banks and companies thinking of expanding there are increasingly aware of the transfer of sovereignty from London to Peking in 1997. One of his tasks, and one which he is already carrying out vigorously, will be to pour scorn on those doubts.

His role, as chief executive of the Stock Exchange, will be to put in place new market arrangements to secure greater efficiency and more acute surveillance. When he last held a *similar position* - as the *first* chief executive of the London Stock Exchange (he introduced the Talisman clearing system) - he was temporarily seconded to Hong Kong as Securities Commissioner to fill a suddenly vacant spot. That was in 1981 and he swore that he would be there for only six months before returning to resume his job in London.

Six years later, after three-year spells first as Securities Commissioner and then as Banking Commissioner, he retired at the age of 66. This time, he is making no rash statements about the length of his stay. "I'm going out there to look-see with a fairly open mind, and I'm booked in to a hotel to start with. Within a couple of weeks I'll have a good idea of what's wanted and what's possible and what needs to be done."

Mr Fell is a great believer in Hong Kong. For a regulator and former top UK civil servant (he held high posts in the Board of Trade before heading the Export Credits Guarantee Department), he shows striking enthusiasm for the colony's dynamic talent for rapid wealth creation. "Making money is still fashionable and is still polite conversation there. There isn't really a sense of jealousy. Everybody believes they can become a Y.K.Pao or a Li Ka-Shing."

In 1981 - expecting to return shortly to London - he told British television interviewers that the then Chancellor of the Exchequer and Trade Minister should come to Hong Kong every six months "just to get immersed in modern capitalism". *He believes Hong Kong will* show the resilience in recovering from the current crisis that it has shown on many occasions before in only a short history as a financial centre - for until 1949, as Mr Fell points out, "Shanghai was where the action was."

How, then, to regulate a marketplace which thrives on laissez-faire capitalism but has also shown an unfortunate proclivity for crises brought on by a great deal of speculation? Mr Fell has strong views on regulation and on the progress made in applying those principles to Hong Kong in a way which will ensure its future.

He believes - as an ex-trade official - that supervisors have a promotional role. "You can go the other way on regulation. The best-regulated market is one you've closed down, but you've hardly achieved the real purpose of having a market. If you talked now to some of the architects of the Securities and Exchange Commission in the 1930s, they would say that what they did then saved capitalism in the United States."

More than that, Mr Fell believes strongly in self-regulation. "I believe that the strength of any market anywhere is maintaining the integrity of the market *for the professional* participants in the market. If you have a good market, it's because the professionals know who they're dealing with, and can deal freely and openly because they're happy with that market. That's the atmosphere that somehow or other you've got to keep in a market. If not, a market will slowly move away from you. People will go elsewhere."

London's own Big Bang,he says has produced a regulatory framework too akin to a statutory system."I'm more of an evolutionist.Having a Big Bang like that is taking a risk isn't it?"

His aim on reaching Hong Kong therefore, will be to put in place a *stronger staff* at the Stock Exchange itself, rather than in the Securities Commission or other regulatory bodies. This, he says, could not have been done before because the colony's stock market used to be divided between four exchanges. As Securities Commissioner, Mr Fell fought long to unify them and the merger into one exchange was finally completed exactly one year before the market had to be rescued last week.

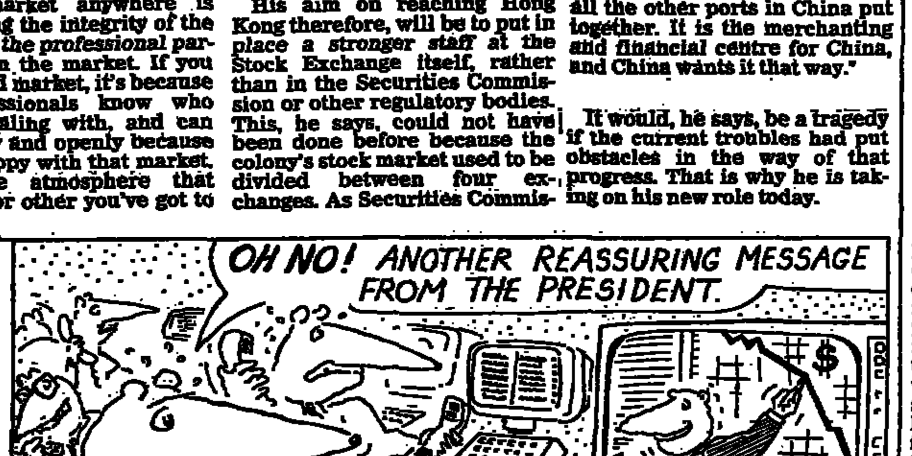
Mr Fell spearheaded a drive to achieve more disclosure in the stock market, being achieved through the phased programme of legislation - "We're now up to the (London Stock Exchange's) Yellow Book of 1967". He had to cope with the the collapse of the property and stock markets in Hong Kong as the economy suffered under a *much longer and deeper than* expected US recession. He was also responsible for allowing the resurrection of the near-defunct commodities exchange into the financial futures exchange which was at at the centre of the recent troubles, with clearly inadequate capital backing. Mr Fell says there was not enough *liaison between the* stock and futures exchanges.

The economic troubles of the early 1980s exposed weaknesses in the banking system. After severe criticism of its supervision by consultants including the Bank of England, Mr Fell switched in 1984 to the Banking Commission, and dealt with a series of collapses of banks and deposit-taking companies. He oversaw the drafting and introduction of a new banking law, including tougher capital requirements, which he believes will have put banks in a much healthier position to face the current crisis.

"Hong Kong has changed dramatically, particularly since 1984 since the agreement (on the return to Chinese sovereignty). It is quite clear that Hong Kong is a mature financial centre. We have all the big banks there, we have all the big players there, and it's maturing as an accepted financial centre. The bias is changing. In that atmosphere, obviously, market practices and the surveillance of market mechanisms have got to reach maturity very quickly. We've achieved that completely on the banking side." The task now, he says - after the reforms of the stock exchange, its membership and its dealing system which have already taken place - is to complete the introduction of stock market mechanisms to support continued development.

Of the territory's future under Chinese rule, he has no doubt. "Hong Kong is almost a more credible international centre because of 1997. Hong Kong is the gateway to China. It is handling more Chinese trade than all the other ports in China put together. It is the merchanting and financial centre for China, and China wants it that way."

It would, he says, be a tragedy if the current troubles had put obstacles in the way of that progress. That is why he is taking on his new role today.



Cabinet test for reformer

LORD MACKAY of Clashfern is the first Scots lawyer unqualified in English law to reach the Woolsack.If that event is properly acclaimed in Edinburgh with unalloyed joy,it ought not to cause the slightest dismay among English lawyers, even if their monopoly of the Lord Chancellorship *has* been broken.

There have been others Scots who in the past have held that high office of state,no doubt thoroughly imbued with the ethos of Scots law,but qualified to practice south of the border. And in Lord Reid this country has its most distinguished judge of our time. He presided over the Appellate Committee of the House of Lords during the most formative period of legal change by judicial decisions in the 1960s, and early 1970s.Lord Reid had been Dean of the Faculty of Advocates (Scotland's chairman of the Bar) and Lord Advocate (in Churchill's wartime Government) - the same route trodden by Lord Mackay

Lord Mackay was by any standards an outstanding advocate in the courts of Scotland. He became an effective administrator in the Thatcher Administration, when in 1979 he was plucked from his legal practice (and apolitical life) in Edinburgh to become Lord Advocate; in fact English civil servants soon readily turned to him rather than to the English law officers to represent Her Majesty's Government in cases before the House of Lords and the European Court of Justice in Luxembourg. And for the past three years *he has been distinguishing* himself as a judge first, in the Court of Session in Edinburgh and, later, in succession to Lord Fraser of Tullybelton, as one of the two Scots judges in the House of Lords.

No one questions Lord Mackay's high intellectual qualities and his charming determination to promote any causes he espouses. The outstanding, and unanswered question is: How will he fare in Cabinet Government ? What will the new Lord Chancellor do to the English legal system which, as never before, is being assailed on all sides to modernise itself and provide effective legal services in contemporary society?

Lord Mackay's pronounced Scottish legal disposition-devoted rather more to principle than to precedent-will no doubt have an influence on Cabinet decision-making. But what sort of influence,and will it prevail over the Englishness of Mrs Thatcher and her ministers, many of whom have legal qualifications?

One is circumspect in predicting the course of legal change, even from a Government committed to conservative radicalism.

Lord Mackay comes with no known leanings in favour of any particular reform . He has recently been playing his cards close to his chest. At a seminar for law students at Inner Temple on the burning issue of the fusion of the two branches of the legal profession in England, which Lord Mackay chaired, he studiously avoided given any hint of his views. He merely found the rival arguments "interesting."

One suspects he is enough of a traditionalist to think that the status quo of a divided profession serves the public well enough not to be disturbed by arguments, some of which are intellectually weak. On this score the Scots legal system is a replica of the split profession in England.

While Lord Mackay would not be disposed instinctively to graft Scots legal procedures on English law, he will bring to bear the novelties of Caledonian experience of those areas of law which are ripe for change.

The Scottish system for dealing with children and young persons in trouble, or in need of care, is distinctively different from that operating in England. With no tradition of juvenile courts, the Scots turned a quarter *of a century ago to an extra*-curial system of handling children's problems.

With marked success the Scottish system opted for a Reporter (a single lawyer who sifts out the cases that should not involve official intervention) and a Panel (a mixture of appointed people among the great and the good, which decides what if anything should happen to a child). Lord Mackay will feel less inhibited about drawing on his Scottish experience when the issue of a family court for England is discussed in government circles.

JUSTINIAN

Crime and punishment occupy much of the time of a modern *Lord Chancellor, but he acts* always in conjunction with the Home Secretary. Criminal justice in Scotland, without quite the same problems attendant upon major professional crime and large-scale frauds that scar the English scene, has often shown England the way forward ,never more so than in the *establishment of a national* prosecuting service.

Here Lord Mackay in his days as Lord Advocate showed a distinct penchant for reform. He was often heard addressing reform groups of England pressing for some emulation of some sensible Scottish practice.

On the penal affairs front there is nothing that Scotland could teach England. There is even less legislative and executive restraint upon the Scottish judiciary in the use of imprisonment and Scots judges, who used to pass lighter sentences of imprisonment, have now brought their country to the top of the European imprisonment league. The two countries will sink or swim together

There is a prime function of every Lord Chancellor in the making of judicial appointments. Will Lord Mackay, not having the same intimate knowledge of the leading English practitioners from whom traditionally the High court bench is drawn, turn to the more open,advisory system of a judicial appointments committee ?

It is perhaps the least important legal reform in the public mind. But it is the most intriguing to English lawyers.

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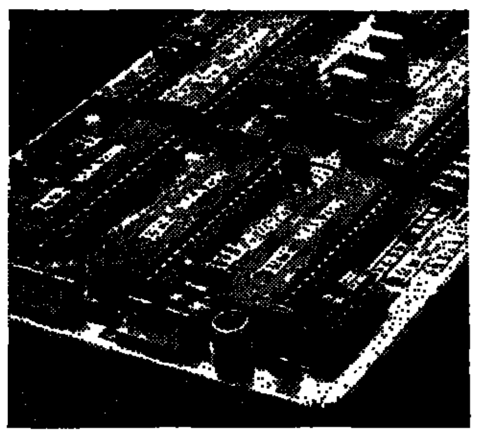

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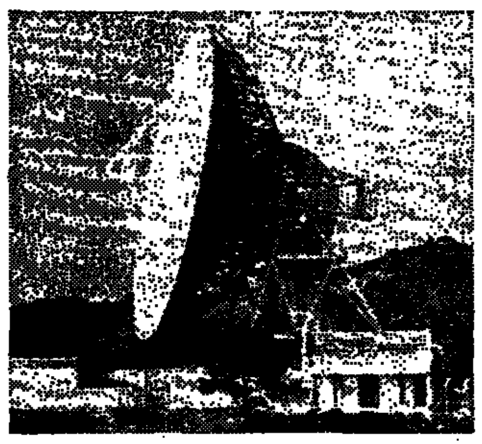

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Momente/Birmingham University

Andrew Clements

The continuing sequence of premieres generated by Stockhausen's mega-opera *Licht* does little to convince anyone of the dramatic necessity of the project, or indeed that it is the product of a creative imagination which can work convincingly in theatrical terms. But at least one work in Stockhausen's earlier output, *Momente*, shows an incipent visual flair and a direct, almost elemental ability to combine gesture and music on the grandest scale.

First conceived between 1961 and 1964, *Momente* has had one previous performance in Britain, in 1973 when Stockhausen brought to London the "Europa-version" of the score made the previous year. That occasion lingers in the memory as one of the most spectacular of new-music occasions, a genuinely convincing celebration of the power of Stockhausen's musical language of the 1960s. A recording appeared soon afterwards, but since then nothing has been heard of the work; the composer is rumoured to be preparing a new version of the score to be unveiled next year as part of the celebrations of his 60th birthday.

All the more reason then to salute the enterprise of the music and drama departments of Birmingham University in preparing the Europa version of *Momente* for a series of performances in the Allardyce-Nicoll Studio at the university. It was a staged version; though the score gives no instructions on a theatrical packaging, Vic Hoyland and David Hirst have evolved a dramatic scheme that involves both chorus and solo soprano in a sequence of confrontations which derives from the work's implicit programme - a celebration of the public and private faces of love.

The staging was coherent, and on its own terms convincing: the chorus was wigged and white-faced (appearing curiously similar to the masked protagonists of the ENO production of *The Mask of Orpheus*), the soprano costumed in vaguely middle-eastern dress(taking a cue perhaps from the use of the Song of Solomon as one of the texts) and confined to a ramp above and between the chorus. Gestures were direct and well-schooled. But how deeply the visualisation illuminated the structure of *Momente* rather than merely providing it with a cosmetic surface was harder to quantify.

The opening and closing sections of the work - hard-edged and brilliant vocal and instrumental writing and some of Stockhausen's most vivid music to date - worked well, as they do indeed in a strict concert performance; the central moments, more abstract and inward-looking, were less clearly defined. It was in these sections also that the performance appeared less certain, and the sheer energy and enthusiasm which propelled the more spectacular set pieces proved insufficient. In the demanding solo soprano role Angela Tunstall was immensely impressive, coping with an unsympathetic acoustic with great presence and intensity, and providing the staging with a compelling central focus. The chorus, all drawn from the university's student body, had clearly been thoroughly drilled, as had much of the instrumental playing, vividly conducted by Jonty Harrison. If the event leaves the case for a dramatic presentation of *Momente* unproven, it was unquestionably a thoroughly worthwhile return visit to a work which remains among its composer's very best.

A Doll's House/Watford

Martin Hoyle

Lou Stein's production at the Palace, Watford, of Ibsen's war-cry for women's moral equality and social freedom opens with Nora spotlit in a stifling, all-enveloping blackness, stuffing into macaroons out of a paper bag. Susan Penhaligon rises convincingly to this Lolita-like interpretation, adolescent puppy-fat ripening into voluptuousness, a spoilt child nevertheless aware of her sexual attractions, truly her husband's "most treasured possession."

The new adaptation by Maggie Wadey, an experienced writer for television, counterpoints an unexpected vein of self-awareness (Nora wants "an extra trick up my sleeve" for the time when she ceases to be Torvald's pretty plaything; she casually describes the origins of Dr Rank's inherited syphilis as if there had never been any need for *Ghosts*) with emotional immaturity (the shrillest anguish comes when she finds her party costume needs mending). Miss Penhaligon excels at the bright babbling of the plaything in turn raising her children as "baby doll, tin soldier and little monkey." The self-realisation, the falling of scales from her husband-adoring eyes, are less clearly defined. I am not too sure that her revolutionary gesture of walking out on marriage and family is not another game, whereas it should - and still can - be shocking.

In a rare non-operatic foray, designer Stefanos Lazaridis cocoons the household in lacquered blackness, both womb-like and funereal, from an oppressive slanted ceiling to dark gleaming walls that slide apart to reveal characters rather than letting them make naturalistic entrances. The black-draped form of Mrs Linde thus materialises impressively out of the murk and, strongly cast, almost emerges as the pivot of the plot through Charlotte Cornwell's unfailing intelligence, strength and subtlety. David Gwillim is a Torvald who makes no bones about his physical appetite for his child-wife; personable, by no means despicable, all too plausible both in panic and patronising paternalism. This version prunes the relationship between Nora and Rank: a shame, since Michael Burrell's mixture of sympathy and authority deserves more.

The non-naturalistic production heralds Nora's bid for freedom by flying the ceiling away as she hurls the sliding walls aside. Occasionally the non-realism jars, as when the crucial letter-box containing that incriminating document is illuminated like a glass showcase (or even a TV screen) high up in the wall - far too high for the children to have meddled with it, as Nora nervously asserts. The slam of that off-stage door that echoed round a shocked *bourgeoisie* has now the hollow clang of prison gates being flung open. The play itself, whatever sexual revolution our century has seen, still grips and enthralls.

Sanctuary/Drill Hall, WC1

Antony Thorncroft

At last: a rap musical about homelessness. This gap in our theatrical heritage has been plugged, of course, by the Joint Stock Theatre Group, which can be relied upon for predictable politics and unpredictable productions.

But at first a stunned silence falls on the theatre as the six actors in Ralph Brown's play suddenly, like an engine picking up steam, rev up from dialogue into rapping—the rhyming, sing song, doggerel over an hypnotic beat developed in the Bronx a decade ago.

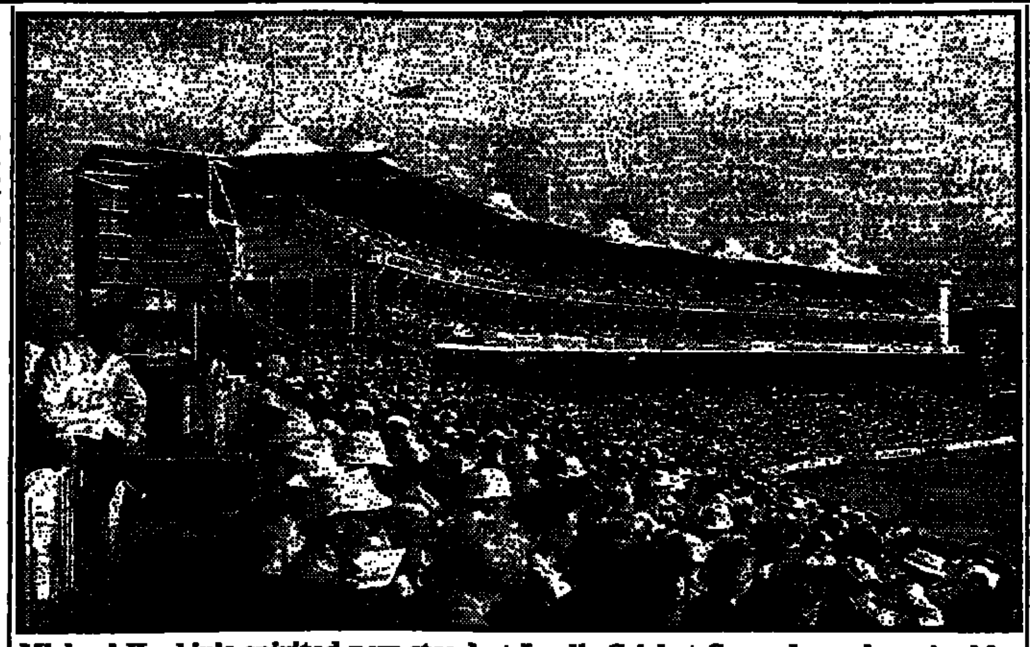
As a way of injecting the emotions, especially the deadly ones like venom, hate and anger, into run of the mill agitprop it could hardly be bettered. It also suits the action, at least in the opening scenes which are set in the lawless London streets where three homeless couples learn how to turn a nasty trick or go under.

The happiest survivors are a couple of lads looking for a record deal for their hip hop music. The saddest victims are two girls from the north whose relationship cracks under the pressure, one taking the high road to Glastonbury, and a hippie commune, the other the low road to hard drugs. Temporary accommodation in a bed and breakfast hostel also destroys the married couple, kicked out of their house for defaulting on the mortgage.

The vignettes of life for the submerged tenth are keenly caught—the hassles with housing officers; the camraderie of Underground musicians; the ruses to secure a bed at the Centrepoint Centre in Shaftesbury Avenue: Joint Stock's obsession with in depth research pays off. Its a real rap.

But when the answer to urban competitiveness is found to lie among the hippies the rap looks risible. It requires a deep indrawn breath of suspicious substances to accept this solution, and even Joint Stock, just in time, realises that you can't change society by cutting yourself off from it, and squeezes into the final chorus the obligatory bit about about converting Buckingham Palace into a bed and breakfast centre.

The politics might be naive but the cast, which handle a score of roles, are terrific, especially David Keys as a somehow appealing spaced-out hippie, and Rita Wolf, who snarls her way into hell. Paulette Randall directs; Sipho the Human Beatbox coached the production in the ways of hip hop; and after a spell at the Drill Hall it plays in Cardiff and Newcastle. It is well worth seeing.



Michael Hopkin's spirited new stand at Lord's Cricket Ground, much praised by the Royal Fine Art Commission

Architecture/Colin Amery

Fine Art Commission's role

It was back in 1985 that Mr Norman St John Stevas - now Lord St John of Fawsley - was appointed to the chairmanship of the Royal Fine Art Commission. An ex Minister of the Arts, known to be a member of the aesthetic tendency with an enthusiasm for energetic public relations, he was an interesting choice. The body he inherited was, if not moribund, in something of an architectural slough. On his appointment his remit was a clear one - to give the Commission a higher profile, and to bring what influence it has on the patrons of architecture, particularly industrial and financial institutions.

This is a good moment to look at the Commission and its role in the world since it has just published its 24th annual report. The first part is a long section by the chairman, which explores the developing role of the Commission. This is a strongly personal statement; indeed, it must be noted that since the arrival of Lord St.John the Commission has been more strongly identified with the chairman than with any of its members.

It is helpful to be reminded that when the first Royal Fine Art Commission was set up in 1846 it had a specific task - to consider the decoration of the newly built Palace of Westminster - and it was presided over by Prince Albert. That Commission had a very different role from its modern equivalent, which was established with a much broader brief in 1924. Gradually by Royal Warrants the powers of the Commission have been extended, and its advisory role on questions of public amenity now encompasses calling to the attention of ministers and other public officials any "project or development which in the opinion of the said Commission may appear to affect amenities of a national or public character."

This is a brief is so wide that one may be forgiven for asking, when looking at the condition of so many British cities, exactly what the said Commission has been doing since 1924. It is a cliche to refer to it as a toothless dog, but it is clear that no one has to listen to what it says; and although it has the power to call in schemes and inspect sites, in reality it can only advise, warn and sometimes encourage.

The Commissioners are fond of reminding themselves of the words of Lord Portal when he spoke in a Lords debate back in 1943: "The Royal Fine Art Commission should, therefore in the Government's opinion be looked upon as the ultimate authority for consultation on matters of taste and aesthetics." This is a powerful position to hold, and one that can only be sustained if the quality of the Commission's judgement is seen to be impeccable.

There is no doubt that over the years the Commission's views have been on the side of the angels most of the time, but this does not mean that these views have been followed. In the capital alone, if it's advice had been heeded, we would not have to look at the Hilton Hotel, the new Euston Station or the tower of Knightsbridge Barracks. It is interesting to recall however that when Sir Basil Spence, himself a commissioner, presented his tower to his colleagues he promised that its effect on London would be the same as the effect of the Campanile of St.Mark's upon the city of Venice.....

The recent report seems to be well aware of the need for the Commission to get its thoughts and views across more effectively. The Chairman writes a ten point charter for the Commission's future: he is also conducting a personal fund raising campaign asking businessmen and developers to contribute towards a trust for the promotion of visual education. No one can object to the aims of such an appeal, but there has to be some anxiety that the essential impartiality of the Commission is not going to be compromised.

Some of the things that the RFAC intends to do is to publish studies regularly. Its recent "Design in the High Street" was worthy but very much in the old tradition of Civic Trust documents. It did not really face up to the reality of High Street decline and the enormously important questions of the motor car and out of town shopping. The next study is to be called "New Look for London" and it is intended to give guidance to encourage a cleaner and better designed capital city.

The issue of circulars to local authorities is also proposed, and one on the vexed question of plot ratios in the City of London is included in this annual report. As these circulars will have no statutory force, it is unlikely that they will have much effect. How much notice do the City of London Corporation and its Planning and Communications Committee take of the RFAC?

The examples chosen for commendation by the Commission bear out its wish to encourage architectural quality rather than any particular style. The stand for the MCC at Lord's, by the architect Michael Hopkins is an outstandingly successful structure by one of our very best architects: his work is elegant always, original and enjoyed by the public; support for Stirling at Mansion House Square and Henry Moore in the Church of St Stephen Walbrook suggest an enthusiasm for the establishment.

Education, television, and exhibitions are all now seen as part of the role of the Commission. This is perfectly fair, but the success of revamping this body under a high profile chairman depends entirely upon the quality of its judgement and the effectiveness of its proceedings. As a body it seems to have come late into a field that is already full of well intentioned bodies.

It's a Girl!/Bush

Martin Hoyle

The "wet paint" signs were hastily removed even as press and public milled at the door. Four months after its fire the best-known pub theatre on Shepherds Bush Green is back in business; not, alas, with its own production but with a touring five-girl musical from the Duke's, Lancaster, put over with cheerful zest by a totally engaging cast.

Andy Whitefield has composed the music for John Burrows' five-fold study of pregnancy. Refined, upper-class Celia (Nicola Sloane, funny and rather touching), gormless Mary who would rather be down the pub (Stephanie Sales, a sweet singing voice), ecologist Mina who wants her yoga teacher present at the birth besides her husband, and cockney Eve (Beccy Wright, raucously good-natured) team up with newcomer Linda who has got on the marital bike with husband Melvyn (apparently called Bragg - some significance here?) from up north to find work. The girls' attitudes to their condition – nervous, complaining, hopeful – is counterpointed by the sub-plot of the projected nuclear waste-disposal site in their village.

The songs are slickly executed *a cappella* numbers, not so much doo-wop as bum-bum, as in a grumbling ditty, "Being pregnant's so much fun/Life is nicer as a nun," which is rendered over the *ostinato* of "bum-bum, aching bum." The characterisation veers into caricature only once, when a security guard confronting the protesting women is revealed as a Falklands veteran with, weight for weight, more metal than brain in his head.

The actresses double or treble parts, switching to men when necessary: Buffy Davis makes a sturdily chauvinist Melvyn when not expounding Mina's aerobics or green philosophy. Jane Nash is little Linda, blossoming into activism, whether fighting to have her baby at home or going into labour in the path of the dumpers' lorries (in a spotlit group, the midwife's commentray accompanied by close harmony urgency from the girls).

Sponsorship

Fishing for pounds

Tomorrow evening, just before a performance of *The Pearl Fishers* at the Coliseum, Mr Peter Jonas, managing director of English National Opera, will go on stage for his own fishing expedition. He will ask the audience to contribute generously to the collection boxes which will grace the theatre and thus help ENO balance its books.

Mr Jonas introduced this American revenue raising practice last November and brought in a much needed £60,000 for the company in a month. His idea was followed by London Festival Ballet and Scottish Opera. He hopes to raise another £60,000 this November.

The timing is important. This week the Minister for the Arts, Mr Richard Luce, should hear from the Treasury the size of the 1988-89 arts budget: then the horse trading will begin. It is no bad idea for a large beneficiary of Arts Council subsidy like the ENO to be seen to be doing its best to raise revenue through its own efforts at "make your mind up time." In the last six years ENO has raised its income from all kinds of sponsorship enterprises from less than £100,000 to a targetted £850,000 this year(out of a total budget of £13.5m). It wants to be well placed if the Minister introduces a new incentive funding scheme.

Although ENO seeks sposnors for its new productions, at a price of between £40,000 and £150,000 a production, the American experiences of Mr Jonas have alerted it to the possibilities from a wide range of money making schemes, from covenants, legacies, annual gifts, premium seats, and corporate membership, to such novelties as getting manufacturers to supply scenery - its current production of *Pacific Overtures* has Suzuki motorcycles prominently on stage.

Putting sponsorship in a broader perspective may become more necessary following the fall in the Stock Market. No major sponsorship has been lost yet by an arts group but decisions are being deferred and an omninous silence has descended. Companies need to feel optimistic when backing arts initiatives. For the next few months arts organisations will find themselves following up some unusual money raising ideas while hoping that Mr Luce succeeds in badgering more money than anticipated from central funds.

But Mr Richard Luce is putting his money where his mouth is - or rather your money. He has invested £10,000 in commissioning six artists to produce paintings which will be converted into 150 prints to decorate the offices of his staff at the ministry. The idea is that his fellow ministers will be so captivated with these up beat examples of contemporary art that they will commission more. The ultimate aim is a cheerful print in every DHSS office in the land.

That at least is the hope of creative consultant John Simmons who was asked to assemble the art for the Minister's approval. He considered 1,500 youngish artists, whittled them down to forty five, and let two outside experts choose the six, which include names like Robert Soden and Frances Treanor who have small, but growing, reputations.

Mr Luce's success in squeezing more money for this scheme might encourage the arts world into thinking that he will be able to get more money from the Treasury this autumn for 1988-89. He certainly wants to boost his Business Sponsorship Incentive Scheme. This year the £1.75m. set aside was exhausted within five months, and many companies who gave cash to arts groups in the expectation of a top up from the BSIS were disappointed. The cut in the maximumn grant from £25,000 to £5,000 also caused much grumbling. It is hoped that Mr Luce will be able to give such frustrated companies a better deal - one pound for every two pounds they contribute instead of one for every three as in the past - if they continue to help the arts next year.

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The Black Horse has been harnessed in the cause of art. Lloyd Bank's distinctive logo now carries on its back the fortunes of the largest visual arts sponsorship in the UK - *The Age of Chivalry* exhibition which opens at the Royal Academy next Friday.

This will be the most important display of the art of the Middle Ages for fifty years and is likely to transform the view of the period. Among the exhibits are the crown of Blanche, daughter of King Henry IV, the armour of the Black Prince, and the Becket window from Canterbury Cathedral. The RA has been dreaming of such a show for years. It is possible thanks to a £400,000 guarantee against loss offered by Lloyds.

For Lloyds it marks a new approach to arts sponsorship. In the past it has spent around £1m a year on a series of projects, mainly linked to youth or in the social welfare field. It sees its backing of *The Age of Chivalry* as its first attempt at a flagship arts sponsorship for general marketing purposes. It is spending an extra £100,000 boosting the exhibition, with the money invested on videos for its staff, and employing extra PR specialists. At the grass roots level local branches will be encouraged to organise competitions in schools with prizes of cheques towards savings accounts; at the board level there will be ten evenings when Lloyds will be entertaining its most important clients at the RA.

There have been problems. The first was getting the name of the exhibition changed from some academic investigation into gothic art into the more populist "Age of Chivalry," which has also enabled Lloyds to use its black horse in the design work. The RA has not allowed Lloyds name to infiltrate the actual galleries and some national newspapers have religiously ignored the link. But the bank has persuaded the RA to hang its company banners in the lobby and its chairman to have access, in the form of a cheering message, to the free guide for visitors.

An advertising campaign, financed by the RA, will try to ensure that the exhibition gets the 3,000 visitors a day needed to meet the Lloyds advance. History suggests that few such exhibitions break even.

But Lloyds likes the arts, and intends to forge deeper links. It is negotiating with the RPO and hopes that its new pops orchestra will perform next year as the Black Horse Pops Orchestra. It is also investigating a Young Actors Award, bringing the best young performers to the National Theatre for a week's season next year. Suddenly, along with Nat West, Lloyds has become the biggest commercial friend of the arts in the UK.

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Next weekend the National Youth Band Championships will be held at Wembley. Thousands of brightly costumed kids will be strutting their stuff in the style of American majorettes, thanks to Marks & Spencer, which at the last moment stepped in with £12,500 to safeguard an event which had been sponsored by Chambourcy.

This may raise few eyebrows. M & S is famous for its generosity. It is a prominent member of the Per Cent Club, and gives almost one per cent of its profits, around £4m. this year, to worthy causes. It is top of the list of any appeal seeking business money and gets hundreds of requests a week. (Note well - it disregards any letter that is obviosuly mass produced).

But it is actually very rare for M & S to put its name on promoting an arts event. It sees its bequests as disinterested contributions to improving the lot of the genuinely needy. Only £500,000 goes to the arts. Most of its spending is devoted to medical charities, the alleviation of social problems, or in seconding executives to bolster under-managed community projects. The M & S chairman this year confirmed the traditional company view that it should not seek any promotional benefit from the expenditure.

Virtually all the arts sponsorship goes to youth, or educational causes, with Music for Youth receiving the most - £75,000 a year. A recent committment sums up the M & S approach. Goole, in the deprived east of the country, was desperate for a worker in dance who would sink her/himself in the community, organising everything from sequence dancing for the elderly to ballet classes in schools. M & S came up with enough cash for four months in the expectation that the local authority would pick up the tab at the end of that period.

Antony Thorncroft

Saleroom/Antony Thorncroft

Golf on a bowl

The earliest depiction of the game of golf comes up for sale at Sotheby's tomorrow—on a punch bowl made in China. The bowl, made in the late 18th century, shows a golfer with club raised for a full back swing, and is taken from a drawing by David Allan, which formed part of the letterhead of the Honourable Company of Golfers. The bowl could have been commissioned by a club member who was also active in the East India Company.

Although the first reference to the game of golf is in the mid-16th century, works of art relating to golf before the 19th century are very rare. This bowl carries a top estimate of £12,000. It comes from the collection of Chinese export porcelain assembled by Francois and Nicole Hervouet of Nantes. Another rare item is a punch bowl dercorated with two kilted Scotsmen, one playing the bagpipers. which was probably produced in China before the 1745 Highland Rebellion. It carries a £8,000 top estimate..

Christie's is selling its Chinese export porcelain today, and its most important piece is another punch bowl possibly made for Sir Charles Price, Lord Mayor of London in 1802. The quality of the painting in the illustrations-the classical facade of the Mansion House on one side and Fenchurch Street on the other--is considered the finest recoreded of this period.

Since its success in selling the Duchess of Windsor's jewels for over £30m. in April Sotheby's has adopted the lady. It is selling a series of photographs of her next Friday. Five are by Man Ray, and the most expensive shows her wearing some of the famous jewellery. It is estimated to top £1,000.

There should be strong Canadian bidding for a group of paintings of Canada covering the period 1838 to 1854. They are sent for sale by the Earl of Elgin and descended to him from an earlier Earl who was Governor General of Canada. There are two watercolours of Quebec by his wife, dating to the late 1830s.

Arts guide

October 30 - November 5

Music

LONDON

Melos Quartet: Beethoven. Wigmore Hall (Tue). (935 2141).

Dowland Consort directed by Jakob Lindberg. Dowland, Byrd and others. Wigmore Hall (Wed).

Royal Philharmonic Orchestra conducted by James Judd with Christian Blackshaw, piano. Rossini, Handel, Rachmaninov, and Dvorak. Barbican Hall (Wed) (638 8891).

Melos Quartet: Beethoven. Wigmore Hall (Thur).

PARIS

Jose Van Dam: Schubert, Brahms, Wolf, Jean-Claude van den Eynden, piano (Mon). Theatre de L'Athenee (47426727).

Leipzig's Orchestra Gewandhaus conducted by Kurt Masur: Schubert's unfinished, Bruckner (Mon) TMP-Chatelet (42334444).

Orchestre de Paris conducted by Daniel Barenboim, Radu Lupu, piano, Orchestre de Paris' choir conducted by Arthur Oldham: Beethoven, Schumann, Stravinsky (Wed, Thur) Salle Pleyel (45630796).

Orchestre National de France conducted by Georges Pretre: Respighi, Roussel, Stravinsky (Thur) Theatre de Champs Elysees (47203637).

Paris Jazz Festival (47833358) opens with the celebration of Stephane Grappelli's 80th birthday by his disciples and admirers and continues with spicy melodies of the Lady of Bresil and the acrobatic trumpetist Arturo Sandoval at the TMP. Jean Luc Ponty's quintet is accompanied by the National Jazz Orchestra at the Zenith and by Ornette Colman's quartet with the leaders at the Grand Rex. Theatre de la Ville throbs with the Paul Bley quartet, a trio and the Big Band Lumiere with Gil Evans and carries on the next day with the New Portal Unit and later on in the evening with Daniel Humair All Stars and the newly-discovered American pianist Geri Allen.

NETHERLANDS

Amsterdam Concertgebouw. The Netherlands Philharmonic under Ronald Kieft, with Christian Zacharias, piano: Beethoven (Tue). Riccardo Chailly conducting the Concertgebouw Orchestra, with Shlomo Mintz, violin: Wageneer, Bartok, Schumann (Wed, Thu).

Utrecht Vredenburg. Riccardo Chailly conducting the Concertgebouw Orchestra, with Ronald Brautigan, piano, and Peter Masseurs, trumpet: Shostakovich, Tchaikovsky (Mon). The Netherlands Philharmonic under Ronald Kieft, with Christian Zacharias, piano: Beethoven (Wed). (55 88 00).

Rotterdam Doelen. The Groot Rotterdam Choir and soloists in an evening of opera and operetta (Tue). Recital Hall: The Fine Arts Quartet: Haydn, Kreisler, Mendelssohn (Tue). (413 24 90).

Scheveningen Circus Theatre. Extra performances of Tom Parker's The Young Amadeus, the Young Messiah, with Vicki Brown, Madeline Bell, Gordon Neville, the New London Chorale and Viotta Ensemble under Wim Bredenhorst (Wed). (55 88 00).

NEW YORK

Carnegie Hall: St Paul Chamber Orchestra and Guarneri Quartet. Pinchas Zukerman conducting. Spohr, Neikrug, Elgar, Beethoven (Mon); Emily Ameling soprano recital. Mixed programme (Thur). (247 7800).

Merkin Hall (Goodman House): June Murano & John Forconi duo-piano recital. Bach, Mozart, Gershwin (Tues 2pm). 67th W of Broadway (362 8603).

Kaufmann Hall: Musical Elements. Gruber, Cummings, Del Tredeici (Tue); Pierre Amoyal violin recital. Faure, Ravel (Wed). 1395 Lexington Av (831 8603).

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting. Mozart, Stravinsky (Tue); Eric Leinsdorf conducting, Nathan Milstein violin. All-Beethoven programme (Wed); Eric Lenisdorf conducting. Lorne Munroe 'cello. Britten, Walton, Debussy (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Rafael Fruhbeck de Burgos conducting, Joshua Bell violin. Tchaikovsky, Respighi (Tue); Rafael Fruhbeck de Burgos conducting. Janice Taylor mezzo-soprano with Choral Arts Society of Washington directed by Norman Scribner. All-Brahms programme (Thur). Kennedy Center (254 3776)

CHICAGO

Chicago Pro Musica Chamber Music Series (Orchestra Hall): Poulenc, W. Neil, Warese, E. Carter, Bernstein/Bergler (Tue, 5.45 pm). (435 8111)

Chicago Symphony (Orchestra Hall): Leonard Slatkin conducting, Christopher Parkening guitar, Michael Murray organ. Haydn, Rodrigo, Saint-Saens (Thur). (435 8111)

TOKYO

Orchestra de Chambre Jean-Francois Paillard, conducted by Jean-Francois Paillard with Kazuhito Yamashita, guitar. J.S. Bach, Handel, Roderiguez. Suntory Hall. (Mon) (237 9990).

Frankfurt Radio Symphony Orchestra, conductor, Eliahu Inbal. Mozart, Haffner, Mahler. Suntory Hall. (Tues). (237 9990).

I Musici Ensemble. Respighi, Mozart, Vivaldi Hitomi Memorial Hall Showa Women's College, Sangenjaya (Tues) (403 8011).

Alban Berg Quartet. All-Beethoven programme. Suntory Hall. (Thurs) (505 1010).

FINANCIAL TIMES

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Telephone: 01-248 8000

Monday November 2 1987

US hands on the baton

AFTER HOLDING the dollar above the floor for months, Atlas is reluctantly adjusting his burden to a more comfortable position. This is not what policy-makers wanted or are willing to admit to wanting even now, but clarity should not be expected of official statements at present.

The relevant fact is that the dollar has, indeed, started to fall, though extensive official intervention to slow the decline continues. The decision appears to have been not so much that a fall is desirable as that the costs of averting that fall exceed the foreseeable benefits.

The judgment is correct, but it leaves open the question of what else should be done. In particular, the change in the prospects for the world economy demands reconsideration of policy by the two main surplus countries, Japan and West Germany.

Leadership in the world economy can be exercised only by countries that have freedom of choice. With the US hamstrung economically, Japan and West Germany have the opportunity to provide a more stable and responsible economic leadership than that provided by the US for many years.

Painful experience

Furthermore, as great trading powers, neither country is likely to suffer from the characteristic American disease of temporary amnesia about the global economy. The danger is rather that unwillingness to think in broad enough terms and an insistence on one's own rectitude will make the world repeat the painful experience of the interwar period, when the UK was increasingly unable and the US unwilling to provide global leadership.

There have been two principal changes in the prospects for the world economy: first, recession has become a considerably more immediate danger than inflation; second, the adjustment in the US external accounts is likely to happen more quickly than before.

Despite loose talk, it is far too early to talk of depressions. What does seem increasingly likely, however, is that stock markets are not going to regain their previous levels. There have, therefore, been large losses of wealth. Preliminary estimates suggest that US economic growth might be some ½ - 1½ per cent lower next year than previously forecast.

For the US, the deflation can be offset by a sharp further depreciation on industries producing tradeable goods. For the rest of the world, however, adjustment in the US external account will be added to the deflationary impact of the decline in asset prices. Suppose, for example, that the adjustment were to be $100bn in the US external account over two years. This would be roughly equivalent to a decline of 1 per cent in demand for the output of the rest of the world.

Necessary action

What do the two surplus countries need to do?

First, they need to recognise that overshooting of the dollar on the way down is probably unavoidable.

Second, the present situation demands a relaxed monetary policy, but there is a natural limit to how far short term money market rates can fall. There is, therefore, also an important role for fiscal policy. If the US external deficit is to be reduced the surpluses must be absorbed either as increased deficits elsewhere or as reduced surpluses. Such a disappearance of the surpluses could occur catastrophically, through the effects of a recession on savings. A far better policy would be either to absorb the excess savings at home, through larger fiscal deficits or, still better, redirect a considerable part of the surplus to developing countries.

Finally, Japan and Germany are among the world's most protectionist countries on agriculture, yet they depend very heavily on the openness of other countries' markets for manufactures. Willingness to liberalise agriculture would probably do more than anything else to encourage the US from its present protectionist path.

It is possible for the world to survive the painful adjustments that are now virtually certain to occur in the US, but only if these two countries willingly accept their share of the burden. Moreover, the changes in policy are not a matter of doing things for others. What is required is no more than enlightened recognition of their own interest.

Poland gropes for reform

THE POLES hardly need lessons from Mr Mikhail Gorbachev on economic restructuring. The ink was dry on Polish blueprints for perestroika long before he had begun to advocate the cause from the top of the Soviet political tree. But whereas General Jaruzelski could afford, when he first seized command, to genuflect in the direction of economic reform and then ignore it, he now has to be seen to be making an effort. Pressure from Moscow, from Western creditors, from the International Monetary Fund and the World Bank has seen to that.

That is the main point - possibly the only point - behind the latest Government reshuffle in Warsaw which has brought to prominence a number of reformers while leaving conservatives in many of the key positions. Mr Zdzislaw Sadowski, the deputy Prime Minister, newly appointed head of the Planning Commission and leader of the team that drew up the latest reform programme, is generally acknowledged to have done a good job, though the package is hardly a radical breakthrough. It is more a warmed-up version of the neglected 1981 reform proposals. Whether it will impress the money lenders - Poland's $35bn debt to the West is the heaviest in the Eastern bloc - will depend more on how courageously and imaginatively it is implemented than on the measures themselves.

Key indicator

The three-year programme is designed to bring the external current account into balance by 1991. It is intended to provide a starting point for negotiations with the IMF on standby credits to relieve some of the pressure generated by those borrowed billions. Measures include a 25 per cent cut in the 12,000 strong central government bureaucracy;the merging of several industrial ministries into one superministry; a relaxation of control over state-owned enterprises and over the rules governing the setting up of new enterprises (public and private); and some hefty, though as yet unspecified, price rises, to be offset by increases, equally vaguely formulated, in incomes.

Whether this adds up to a determined effort to extend to administration of the economy the military discipline already applied in areas of less resistance, or merely a yielding before the prevailing winds from Moscow should soon be clear.

The key indicator will probably be the Government's handling of the perennially explosive matter of prices and subsidies. The steep price increases of 1970 and 1976 were largely responsible for the unseating of General Jaruzelski's predecessors : and the official pussyfooting on the steep increases implicit in the latest reform programme is a good measure of the distance between government and governed which has so far prevented the authorities from forming a workable assessment of how far the people can be pushed.

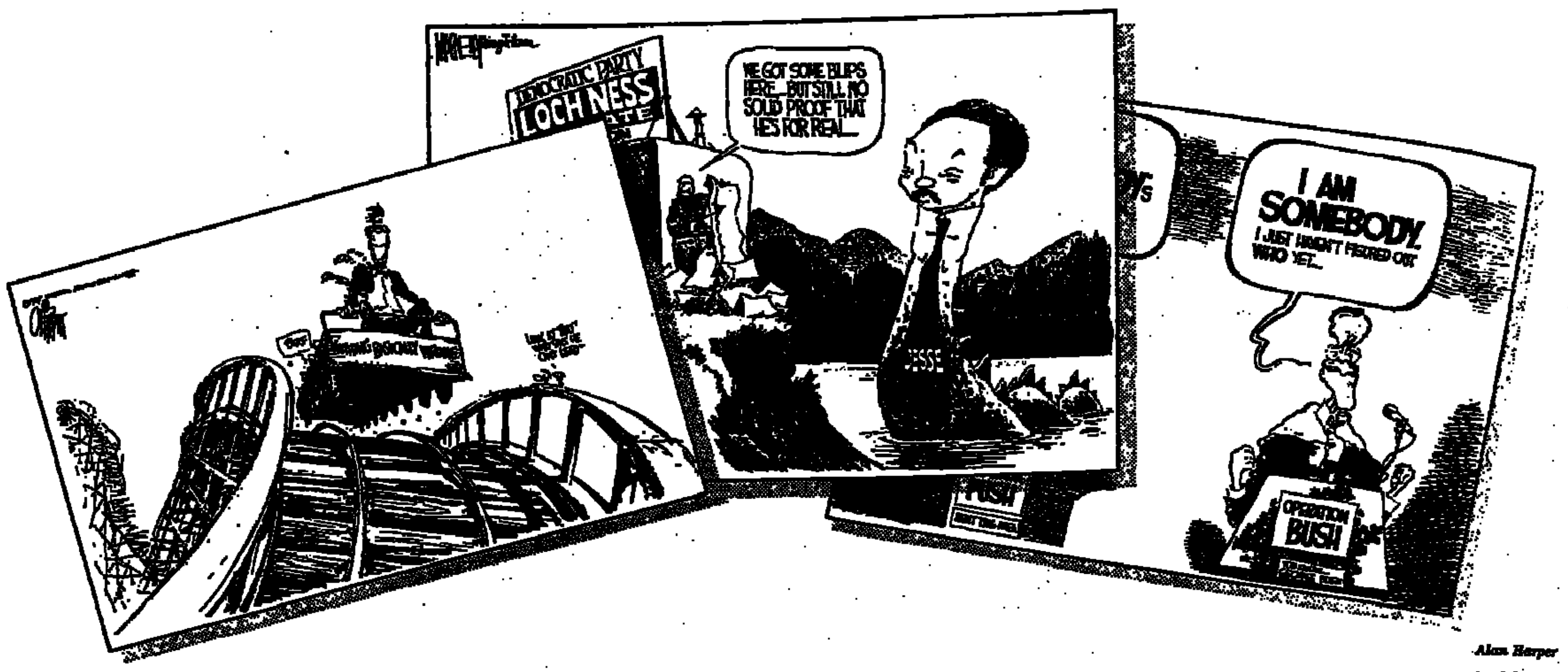
Secure anchor

Questions seeking approval for the programme, to be put in a referendum next month, have been so vaguely phrased, hinting so tentatively at price rises and other difficulties in the next year or so as to strangle at birth any emerging interest in the referendum at grass roots level. Indeed the call from Solidarity for a boycott of the referendum has been widely dismissed as being as irrelevant as the referendum itself - many may well ignore the poll anyway.

Many of the obstacles confronting reformers in their attempts to introduce reality into Eastern bloc economies remain the same - conservative bureaucracies, complacent party managers and the corruption bred by the patronage system .This time, however, the reformers have a more secure anchor .The fact that the Soviet leader is the most reform-minded of all - both in his own politbureau and among those in the politbureaus of other Eastern European capitals - must diminish the uncertainties that have sabotaged previous attempts to forge a more flexible relationship between Moscow and its satellites.

The Poles are listening to Mr Gorbachev and they are apparently not averse to what they are hearing. He has created expectations, because he speaks unambiguously and appears to mean what he says. Polish reformers may wonder whether the more conservative elements in Moscow will let him get away with it. But this time round they know that the obstacles confronting their own efforts are entirely home grown.

A stock market crash, a December summit. What do they mean for American politics? . . . . .



Alan Harper

When a summit is not enough

FOR OVER a year, Democratic opinion pollsters have been picking up tantalising signs that the wind of politicial change has begun to blow in their favour.

Tantalising because the anxieties being expressed about whether Mr Reagan was leading the nation in the right direction, whether they or their children could count on having a job, whether the White House really was likely to be better at tackling the budget deficit than the Democrat-controlled Congress, were usually couched in terms of worries about the future.

Today, says Mr Kirk O'Donnell, President of the Centre for National Policy, a Democratic think tank in Washington, "it's a different game. The future is now."

It would be hard to overestimate the relief now spreading through Democratic Party ranks as Wall Street has crashed - or the anxiety among Republicans as they face the fact that the markets in which they have put so much faith could help to dash their hopes of a third consecutive term in the White House. True, Friday brought Mr Reagan's party the distraction from economic matters it most prizes - a Washington summit, and the hope of a further meeting in Moscow next year. But this week it will be back to business as usual in persuading Congress to agree to harsh medicine for the budget deficit.

With every day that passes without clear signs of a White House strategy for rebuilding the financial markets' confidence in Washington's political leadership, the prospect of an election year recession looms closer.

On this point, history's lesson is clear and is read in the same way by Democrats and Republicans alike: a recession over the next year would tilt the balance of electoral advantage, probably decisively, in favour of the Democrats.

"If you assume that the stock market crash presages a recession, it helps the Democrats," says the top political strategist of one of the Republican Presidential candidates. "The degree depends in part on how deep an economic decline."

Not surprisingly, Mr O'Donnell takes a different perspective. He argues that the crash has presented the Democrats with an issue - economic policy - which they have hitherto proved unable to exploit.

"There was a kind of issues vacuum until last week," says Mr James Reichley, a political scientist at Washington's Brookings Institution. Now he says "public perceptions of the parties' ability to manage the economy can be altered."

But how certain is it that the Democrats will be able to take advantage of the change? Which candidates are best positioned to exploit the shift and what may be the longer term implications for both parties?

That there has already been a shift in favour of the Democrats is contested by Republican strategists. But it is hard to resist the thought that they are grasping at straws.

The particular straw in question is a CBS News/New York Times poll published last week and taken over a period which included October 19, "Black Monday" on Wall Street.

Both before and after the collapse, President Ronald Reagan's approval rating remained at 52 per cent; the number of respondents saying that the economy was getting worse rose only to 38 per cent after the crash from 34 per cent before. Republicans also point out that there has been a narrowing in the gap between the number of registered voters saying they expect to vote Democrat (36 per cent) and Republican (33 per cent), compared with a year ago when the Iran Contra scandal broke.

Mr O'Donnell's response to this data is that attitudes will change as the magnitude of what has happened begins to sink in.

The travails of the Democrats - whose candidates have been awarded the soubriquet the "Seven Dwarfs" by a media which wondered why the party's most able politicians such as Governor Mario Cuomo of New York were apparently sitting the 1988 race out - made a Republican victory all the more plausible. So too did the self-destruction of the candidacies of Senator Joe Biden and former Senator Gary Hart. Last week's poll quoted one registered Democrat, Mr Thomas Nettles, as saying scathingly, "What has this bunch of Democrats ever done or said that would make you have any confidence that they could run the world?" Such questions become even more pertinent with the prospect of Mr Reagan and Mr Gorbachev strolling together on the White House lawn.

The markets the Republicans put their faith in could dash their hopes of winning the White House

Most voters, the poll suggests, believe the Republicans have better Presidential candidates. It is a judgement which top Republican strategists, such as Mr David Keene of Senator Robert Dole's Presidential campaign, still point to as a problem for the Democratic Party.

But Mr Reagan's defeat over the nomination of Judge Robert Bork to the Supreme Court and his inept handling of the stock market crash - coming amidst evidence of disarray and divisions within the White House - can only have damaged the President and his Party. The fact that the peace issue might also escape Mr Reagan's grasp seemed a real possibility until the weekend; but Moscow's agreement to hold a December summit has saved the White House and the Republicans on that score.

However, foreign policy will not be enough to rescue the Republicans if the economy is turning sour.

An analysis in the lastest issue of the National Journal, a Washington weekly, concludes that the conventional wisdom in Washington has generally been right: that apart from war, the economy is the key issue in election years.

"In some cases such as 1960 (a year of mild recession) it saddles the incumbent party with a close race; in others such as 1964 and 1984 it gives an incumbent President a cakewalk; in still others, such as 1980, it clobbers him" the report concludes, adding: "the numbers show that landslides tend to be associated with strong election year income growth, and the incumbent party's defeat with weak growth."

On this yardstick, 1988 would have been a tough year for Republicans even without a stock market induced recession, for income growth is expected to be squeezed along with consumption as well as the growth in gross national product expected to come from an improvement in the foreign trade balance.

Now that the threat of recession looms, it is no wonder that White House moderates such as Mr James Baker, the US Treasury Secretary, are bending every sinew to try to restore confidence to the financial markets - partly through cutting a budget deal with Democrats on Capitol Hill even at the cost of persuading Mr Reagan to swallow a tax increase.

A convincing budget accord which calmed the markets would give Mr Baker the manoeuvring room to fight recession through an export-stimulating, managed decline in the dollar.

With inflationary concerns already being dampened by the market's fears of recession, Mr Baker can also hope for a continuation of the easy money policy adopted by the Federal Reserve Board after the initial stock market crash.

Moreover, with a deficit accord in his pocket - and a convincing package cannot yet be ruled out - Mr Baker can join Senator Robert Dole in calling for Japan and West Germany to live up to their international commitments and adopt more stimulative economic policies.

Were it not for Mr Baker's political skills, the chances of heading off a recession would be bleaker and the outlook for the Republican Party even grimmer. His influence within the White House and on Capitol Hill is such that it would be unwise to bet against his being able to pull together a credible economic policy package - although the right wing in a divided White House is scarcely making his job any easier. By insisting on the nomination of another conservative, Judge Douglas Ginsburg, to the Supreme Court vacancy, they are risking involving the White House in another divisive political battle.

With the economic outlook almost certainly the key to the fortunes of both parties, it is to be expected that their Presidential candidates are moving cautiously in response to the stock market crisis. They are avoiding any precipitate moves until the outlook clears.

At the Republican candidates' debate in Houston last week, for example, it was striking that the candidates showed no enthusiasm for debating the economic crisis and even less for making specific recommendations - although Senator Robert Dole and General Alexander Haig warned that it must be tackled urgently.

Senator Dole is generally seen as the Republican best placed to take advantage of the stock market crisis, as he has been distancing himself from the White House's budget policies for at least the past five years.

As a member of the administration, Vice President George Bush inevitably shares the blame for the crisis - and he cannot easily distance himself without apparent disloyalty to the President. On the other hand, Bush is without doubt the main beneficiary of progress on the arms control front.

The conservative wing of the Republican Party - and in particular Presidential candidate Representative Jack Kemp, who has claimed to be one of the architects of supply side "Reaganomics" - has also suffered, because the crash is connected in the public mind with the budget deficit.

On the Democratic side, too, Presidential candidates have been cautious in their comments on the collapse, and there are divided views about which Democrat stands to gain most.

Some argue that Rep Richard Gephardt could exploit the crash, if he moves to tone down his trade legislation rhetoric; he has been making economic policy the centrepiece of his campaign. Others maintain that precisely because he has allowed himself to be labelled a protectionist, Mr Gephardt could be vulnerable if parallels are drawn between his tough stance on trade and the protectionist policies which helped to precipitate the Great Depression in the 1930s.

Meanwhile Senator Albert Gore, who has been stressing foreign affairs issues in his efforts to break out of the pack of Democratic contenders, will probably be forced to shift focus to economic issues, where he has no special expertise.

If the economy proves to be heading into even a mild recession, some Democrats who decided not to enter the race could well reconsider; the Democratic Party's Presidential nomination will go up in value as the economy sinks.

The late entry into the race, for example, of a man the Republicans fear - Governor Cuomo - or an economic policy expert such as Senator Bradley is something many influential Democrats would welcome.

A broader question is whether the influence of the liberal wing of the party will grow if a recession does come, as was the case during the 1982 recession.

As they calculate the odds and chart their strategies for next year, candidates in both parties can only be struck by the fluidity of the political environment.

If a recession does come, will the Democrats' liberal wing become more influential, as it did in 1982?

The Democrats have been given new heart by the Wall Street crash - but they are acutely aware that their party is not perceived by many voters to be fielding its strongest candidates. They must also take into account the threat that in the Rev Jesse Jackson, the former black civil rights leader, they have a figure who could play a powerful disruptive role.

The Republicans, for their part, must cling to the hope that they can avoid a pre-election recession which would make the economy the decisive issue, and that they can capitalise on arms control and other positive aspects of the Reagan legacy. If they can also avoid an outbreak of ideological warfare with an increasingly disaffected right-wing, then the election could well turn out to be a cliffhanger.

TUNIS, NOVEMBER 1

Tunisia balances the books

Tunisia, North Africa's smallest country, has been going through the pains of austerity for the last year in order to meet all the targets set out in the standby agreement it reached with the IMF last autumn.

Already things are looking up. The gross domestic product is growing at an annual rate of 6 per cent (after a decline of 0.9 per cent in 1986) - thanks to a good crop, a record number of European visitors (1.5m), and major progress where the export of clothes and fish are concerned.

In spite of the challenge mounted by Islamic fundamentalists in recent months, Tunisian leaders have moved faster than most of their African and Arab peers to address their country's economic imbalances

Political uncertainty, the consequence of the frail health of President Habib Bourguiba, who is officially 84-years-old, has not stopped the Government from tackling some of the real economic issues.

Power games

President Bourguiba likes to play musical chairs with his top men.

Some ministers and newspaper editors have in recent weeks been appointed, only to be switched back to their old jobs within a few days. Such uncertainty does little to help the smooth running of the affairs of state.

The idiosyncrasies of the leader, who has dominated his country's politics for over fifty years, are, or course, part of Tunisia's political life.

But they no longer even amuse that half or more of the 7m Tunisians who were born after independence and have all but forgotten the struggle to free the country from the French.

Radical chic

Tunisia remains by Middle East standards a very open country.

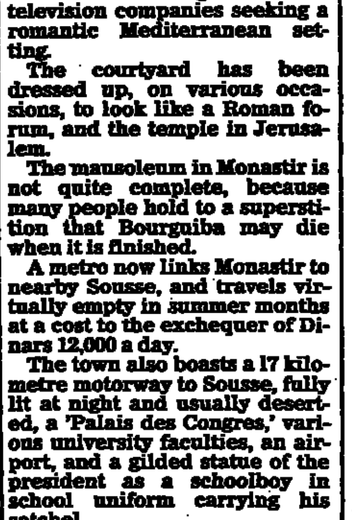
Men and Matters

Senior officials are usually welcoming, if a little more cagey these days.

The Islamic radicals are there, but they are difficult to detect as they have been asked to trim their beards. Moslem 'sisters', known as 'khouanjia', wear tight-fitting white scarves which hide their hair, and a long, ample cloak of a sober colour - a far cry from the white 'saf-sari' veil traditionally sported by Tunisian women.

The sisters refuse to wear make-up. In daily life, they tend to react very aggressively towards the vast majority of Tunisian women who wear modern European garb. They do not kiss their fellow men on the cheek, which is traditionally the norm in Tunisia. They will only kiss their 'sisters.'

Unlike most Tunisian town women, who will go to the beach and bathe in European costume, the 'khouanjia' only go to the beach at night. Even then many of them refuse to bathe.



"Fancy letting him sell you all that - I suppose you've got a pile of BP shares at home"

A welcome

Tunisia has featured in the news frequently in recent months because of the growing boldness of Moslem activists in challenging what is the most secular of Arab regimes. Yet, for all the army and police presence in major towns, notably Tunis, and the growing frequency of identity checks for anyone travelling by taxi (activists often reach their next demonstration by taxi), Tunisia remains very tolerant and welcoming to foreigners.

Good wine is to be found in all hotels catering for tourists, and the many restaurants which offer a good blend of French, Italian, and Tunisian cuisine.

Such vintages as Red Magon, Muscadet de Kelibia, or Clairette de Bizerte, which many native Tunisians enjoy, give the lie to those who believe the Moslem activists will have an easy time converting the majority of their countrymen into a rigorous attitude towards Islam. Indeed, so considerate are Tunisian waiters to the habits of drinkers that they always ask you, when pouring beer, whether you would like it with or without froth.

Monastir style

No expense is ever spared for the head of state's birthplace, Monastir, a town which lies just 100 miles south of Tunis, and where Bourguiba traditionally spends the summer months.

The town's former governor, Mancour Skhriri, who is now a member of the cabinet, has been nicknamed Arcades, so keen has he been to adorn this small, graceless town with artefacts.

Sadly, they bear little relation to Tunisia's traditional Moorish architecture.

Monastir now looks rather like a film set, an ironic development since the town's fortress served for many years as a location for foreign film and television companies seeking a romantic Mediterranean setting.

The courtyard has been dressed up, on various occasions, to look like a Roman forum, and the temple in Jerusalem.

The mausoleum in Monastir is not quite complete, because many people hold to a superstition that Bourguiba may die when it is finished.

A metro now links Monastir to nearby Sousse, and travels virtually empty in summer months at a cost to the exchequer of Dinars 12,000 a day.

The town also boasts a 17 kilometre motorway to Sousse, fully lit at night and usually deserted, a 'Palais des Congres,' various university faculties, an airport, and a gilded statue of the president as a schoolboy in school uniform carrying his satchel.

New statues of the president are, indeed, going up all the time. The Place d'Afrique in the heart of Tunis has been rebaptised Place du 3 Aout, 1903 - his official date of birth. Meanwhile, a 35-metre statue of him, rising in the Place de la Casbah, will dominate Tunis.

Jokers are suggesting that visitors will be able to climb up inside it and look out over the capital through the eyes of the man who has for so long dominated the politics of his country.

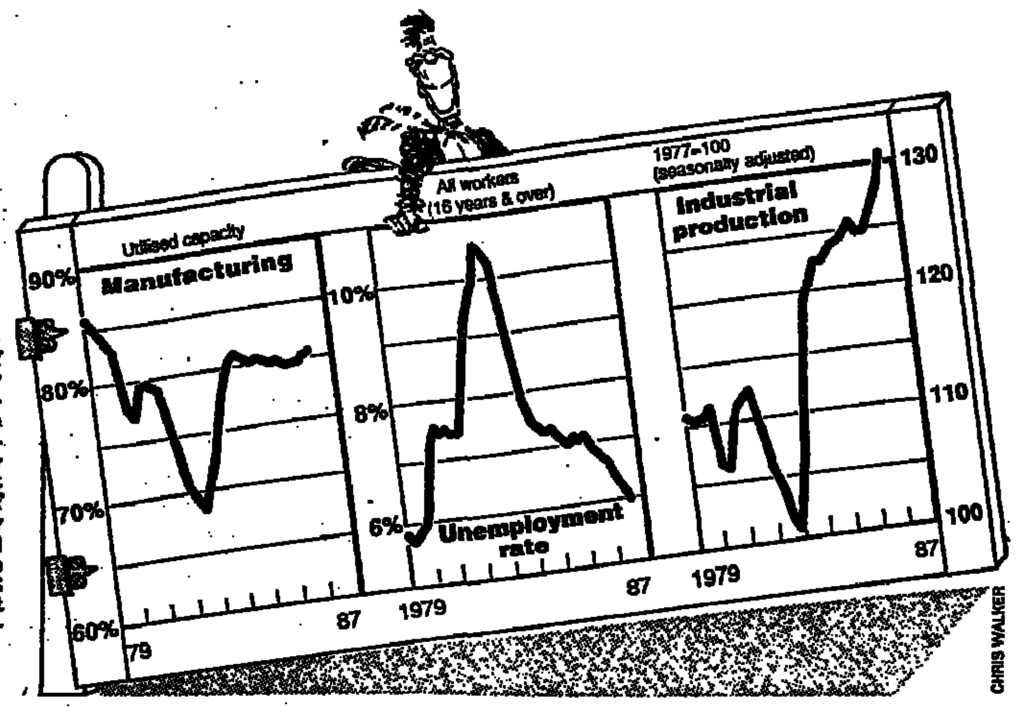
Town planning

The art of making a little go a long way is long established in Tunisia. When Queen Dido arrived from Tyre in 816 BC, the local Berber chieftain offered her as much land as could be covered by the hide of an ox The wily Phoenician promptly cut the hide into fine strips - hence the city of Carthage, where the presidential palace stands and from where the country is still ruled.

Observer

. . . . and for the US economy? **Stewart Fleming** (left) and **Anatole Kaletsky** (below) report

A suitable case for shock treatment



"RISING GERMAN" interest rates are not in keeping with the spirit of what we agreed to." Mr James Baker, US Treasury Secretary, Saturday October 17.

"The underlying economy remains sound." President Ronald Reagan, Monday, October 19.

"Let us have no illusions. The Americans are prepared to let the dollar fall to DM1.60." Mr Jacques Delors, President of the European Commission, Wednesday, October 28.

These three notorious pronouncements - one for each week of October's unprecedented upheaval in world financial markets - will probably figure prominently in every history of the Crash of 1987. But history *may judge these statements* less harshly than the speculators who lost their fortunes in the market turbulence which each of them helped to unleash.

It may turn out, in fact, that each of these assertions was both true and justified: that the US economy *is* now sound, that Washington will refuse to tolerate German monetary policy, and that the US authorities will welcome the dollar falling by a further 10 per cent or so.

More importantly, it may appear with hindsight that the Crash of 1987 had its constructive side: that it has put in place a stronger framework for the long period of world-wide economic adjustment and rehabilitation.

This period should, at the very least, see a reduction of the trade imbalances between America, Japan and Europe. And while the costs and dangers of this process could, contrary to popular belief, be greater for Japan and Europe than for America, there is at least an outside chance that a US adjustment could also lead to lower joblessness in Europe and higher living standards for the Japanese. In ideal circumstances, some of the benefits of global restructuring might even spread to the developing world.

Only one group seems unlikely to gain in the aftermath of the Crash; investors who put their money in the stockmarkets last summer may have to wait for many years before they can sell at prices higher than those at which they bought. For if a period of global economic rehabilitation is now at hand, it will tend to boost the prices of real capital, rather than financial assets. Even if companies continue to expand their profits, they will spend more of them on investment and less on dividends, takeovers or buying back their own stock.

The case for long-range optimism in the wake of the worldwide stockmarket collapse does not rest simply on the trite refrain that has gone round the world about Washington now being forced to put its budgetary house in order. Nor does it preclude the possibility of a US recession within the next year. An early recession is obviously now more likely than it was a month ago, although most economists still regard it as highly improbable. Almost universally, forecasters have cut back their growth projections by one percentage point to reflect the impact of the crash on consumer confidence, housebuilding and business investment. But this scaling back still points to growth next year of 2 to 2.5 per cent. Wall Street conventional wisdom seems also to *state* that a recession can be avoided for the foreseeable future, though this optimism itself may add to the uncertainties and risks. For if any symptoms of a recession did become apparent, the market could easily crash again, with serious consequences for the global economy.

However, it is not the timing of the next recession that matters in the long run. There are two other questions of far greater *significance for the world:* will the next US recession turn into a 1930s-style depression and will it drag the rest of the world economy with it? Today, both of these questions seem more pressing than they did a month ago. But by the same token, it is now more likely that policy makers around the world will act.

There have always been three main reasons for fearing a 1930s-scale depression in the US. In the first place, the US budget deficit would swell much further in a downturn and thereby rule out the possibility of fiscal stimulation by the US government. Then, as a US recession deepened, the financial excesses of the 1980s - from Third World debt to leveraged buyouts - would come home to roost at once as borrowers' abilities to service their obligations stretched to breaking point. Finally, and most alarmingly, if the US economy were to enter the next recession with a seriously overvalued currency, the only means available for Washington to stimulate its economy would be to drive down interest rates. Given the immensity of US trade deficits, this monetary relaxation would probably lead to an immediate collapse of the dollar. And such an abrupt US devaluation could drag the rest of the world economy into a genuine depression.

While everybody today talks of the American Smoot-Hawley tariffs as one of the critical errors of the 1930s which turned a US recession into a global collapse, competitive devaluation could be almost as effective as outright protectionism in spreading the agony of deflation around the world.

But after the market crash, two vital features of this grim scenario have changed for the better. The premature end of the five-year bull market has limited some of the financial extravagance - in corporate deal-making, for example - before it got completely out of hand. More important, with the breaking of growth and inflation expectations, there is now a good chance that the dollar will adjust downwards before, not after, the next US recession. The key reason why the US was reluctant until last week to let the dollar fall much further and faster on the foreign exchanges was the fear of inflationary overheating in the domestic economy. With unemployment now below 6 per cent nationally and lower than 4 per cent in booming parts of the country, the US could scarcely afford to offer the stimulus of a lower exchange rate to its exporting and import-competing industries, without simultaneously doing something to restrain the booming non-tradable service side of its economy. To put the same proposition another way, if the US attempted to reduce its trade deficits, it would suffer accelerating inflation unless it curbed consumer spending at the same time.

With the collapse on Wall Street, and the dampening effect which this should have on spending, the crucial inflationary constraint on exchange rate policy has disappeared.

Given the generally deflationary background against which the US devaluation policy could now be enacted, a fall in the dollar could make a major contribution to reducing the seriousness of the next US recession by boosting US net exports, thereby compensating in part for the decline in domestic demand.

Nevertheless, this policy would beg two questions. Why should the dollar fall any further, given the 40 per cent decline which it has already suffered since early 1985 and the broad parity which has been re-established between the prices of goods in US and overseas markets? And what would a further substantial devaluation do to America's trading partners, who are themselves about to suffer a loss of economic confidence in the wake of the market crash? Both questions have the same essential answer. To work off the excesses and imbalances which have been growing throughout the 1980s, a gigantic structural transformation will be required throughout the world economy over the next five to 10 years. To service its foreign debts the US economy will have to be transformed by the mid-1990s from the world's greatest consumer and importer, to a leading saver, investor and exporter, primarily of manufactured goods.

Only one group is unlikely to gain in the aftermath; those who put money into stock markets last summer

This transformation will be extremely difficult to accomplish. While much of the US manufacturing sector has already started booming in response to the falling dollar, the shift in the economy from services to manufacturing has not yet gone nearly far enough - as eloquently testified by the continuation of large trade deficits. Before these can be eliminated, big psychological changes will be required in US management, much of which remains inward-looking.

More tangibly, a massive physical reconstruction will have to take place during the next few years to shift the balance back from non-tradable services to tradable goods, primarily manufacturing. America's stock of manufacturing assets *actually shrank in* 1982-83, for the first time since the Second World War and widespread plant closures have continued since then under the banner of "corporate restructuring". Some of the more successful US exporting and import-competing industries, including chemicals and forest products, are already running up against their production limits. Even in long-depressed industries like steel, diesel engines and farm machinery, some companies are turning away orders, having cut back capacity so sharply in the mid-1980s.

The lack of investment in tradable goods production is obvious at the aggregate level. Since 1982, for example, plant and equipment expenditures by US manufacturing industry have fallen from 3.8 per to 3.4 per cent of GNP, despite the powerful recovery of the US economy. In the same period, commercial, financial and other service-type investment has grown from 3.4 to 3.8 per cent of GNP. The real net stock of private capital in manufacturing has grown by only around one per cent a year since the 1982 recession, while in non-manufacturing industries the growth has averaged about 3 per cent. Over a period of years such differences in trend add up to huge disparities in the productive capacity available to meet future demand.

All this implies that the restructuring of the US economy will be a long and costly process. Not only will it require shifts in managerial psychology and current production decisions. It will also need substantial growth in manufacturing investment, over a long period of subdued demand within the US *economy itself.* To achieve *such* enormous shifts and take these kind of risks, American businesses and financial markets will need more than a modest incentive from a competitively valued dollar. They may require the shock therapy of an exchange rate as drastically undervalued as the yen has been in the past.

If such a shift occurs, the burden of responsibility for sustaining global economic growth will move decisively to America's trading partners. They must begin adapting quickly to a world in which they will be the big borrowers and spenders, while the Americans do the exporting and saving. Unless they do, the Europeans and Japanese could find that they - not the Americans - will be the biggest victims of a depression in the 1990s.

Lombard

A look at some silver linings

By Samuel Brittan

WHAT HAS been happening to the real British economy while eyes have been centred on the stock market crash? The answer is that it has been doing between well and too well. By this I mean that demand and output have been rising even faster than generally expected; and the argument has been between optimists who believed that the economy could cope with current and prospective growth rates and those who contended it was being overheated.

For instance, the London Business School has just endorsed the Treasury's estimated 1987 growth rate of nearly 4 per cent slowing down to a still very healthy rate of near 3 per cent - or 3½ per cent excluding oil - in 1988 before, of course, taking account of the stock market crash. Last week, after the LBS forecast was completed, we had the CBI October Trends Survey showing increased pluses on most of the hard indicators. Capacity utilisation was reported to be at its highest since 1979; and shortage of orders was less of a constraint on output than at any time since then. The first small positive balance for employment intentions in manufacturing since 1977 was reported, but complaints of skilled labour shortages have been edging upwards.

The LBS forecast is for a modest current deficit of around *£2bn per annum between now* and 1991. It believes too that the stock market crash will depress imports slightly more than exports. But it shares the scepticism I have often expressed about whether there is any deficit at all. If the current account is measured by net domestic savings, to which it is identical by definition, the UK has been running an annual surplus of £6bn (and the "balancing item" should then be attributed to current earnings rather than capital inflows).

The true reason for fearing overheating has been the behaviour of nominal variables: house and share prices, money, liquidity, bank credit, as well as pressures on capacity.

The conclusion from all this will annoy some people. It is that the stock market crash has a silver lining. For by imposing a slight curb on demand it removes much of the threat of inflation and overheating. On the assumption of no international snowball effects the LBS estimates that less than one third of a per cent will be shaved from the UK growth rate.

Moreover the greatest impact may turn out to be just where inflationary pressures are strongest: in the housing market, especially in the middle and upper ends in London and the south east. If these come down, not only will inflationary pressure ease, but growth will be better balanced and there will be less chance of wage pressure in the south east bringing the economic upturn to a premature halt.

This is not all. Before, there was a conflict between the Bank of England's worries about excess credit and the policy of capping sterling at DM3 to the pound, which inhibited any increase in interest rates. Now overall spending has been restrained by a bolt from the blue, and so far from needing to raise interest rates, the main question is how much further the Bank should cut them.

On an international scale, it is in fact consoling that the main check to spending from falling stock markets should be in the US, where the need to increase the savings ratio is greatest and, so far, smallest in the surplus economies of Japan and Germany. If in addition there is some budgetary retrenchment in the US and the trade figures presented better, we may be surprised at the speed of improvement in the US balance of payments.

Of course, the threat from the market crash is greater than any silver lining. There is the risk that either fresh stock market collapses or failures of financial institutions will turn a modest check to demand into a major international contraction. To prevent a free fall in the dollar or an international trade or interest rate war will take more statesmanship than has so far been shown.

Given a choice, most of us would have preferred to avoid these risks at the cost of losing the silver lining. As it is, let us not ignore the latter.

Letters to the Editor

A gleam in the eye

From Professor J McDermid

Sir, - I was concerned that the article "A gleam in the eye" (October 15) might have given its readers some misconceptions or, at least, raised to an unrealistic level hopes for a breakthrough in software productivity or reliability. Consequently I would like to clarify some points concerning software engineering and to challenge some of the assertions in the article.

The goal of software engi*neering is the construction of* systems in a cost-effective and timely mannner so that they meet their initial requirements and they can be modified in a controlled fashion to satisfy changes in their requirements.

Software systems are among the most complex man-made artefacts. Software is inherently complex for a number of reasons. For example the possibilities for interaction between different parts of a software system increase much faster than linearly wth the size of the system. Also there is no regularity of structure such as one finds in a computer memory or a multi-storey building.

Perhaps the most salutary issue relates to design effort. In a 3000 man year project to build a bridge perhaps one or two per cent of the effort would go into design. In a similar size software development project perhaps one third or one half of the effort would be expended in creative design activities. While one might argue abut the exact figures in different engineering disciplines there is no doubt that the inherent complexity of software and the level of creativity in the development process make it very hard to achieve the objectives of software engineering. Given the pervasive and critical nature of software it is unsurprising that many claims are made for solutions to, or at least ameliorations of, these problems.

There are fundamental problems in producing an automated software factory, especially the complete automation of essentially creative tasks. In designing a system a software engineer, of course, takes in to account the requisite system functionality. He will also take into account non-functional attributes of the software such as performance, resource usage, and reliability. Much of the expertise applied in design concerns these.

Systems such as the information engineering factory (IEF) do give considerable assistance to development. They concentrate, however, on describing the structure, and to a lesser extent, the functionality of the system. In general they do not deal with non-functional issues. Thus they can assist the software engineer but they cannot replace him (or her). The greatest benefit of *this sort of* system is that it frees professional staff from clerical work and allows them to concentrate on the creative and intellectual aspects of the job.

Some software engineering tools, eg 4GLs, seem to give more assistance to development because, in certain application domains, it is possible to prejudge some or all of these non*functional design decisions.* Thus these classes of tool are very powerful.

I believe that, in the long run, it will be possible to produce expert systems which are useful to novice or comparatively inexpert designers. I cannot accept the article's suggestion, however, that it will be a short time before such systems are commonplace. I believe that the greatest difficulty will be in finding good designers who are capable of externalising and articulating their skills. In other words few good designers know how they make design decisions so it will be difficult to elicit the rules necessary for the expert system.

In most engineering disciplines there is a considerable delay - typically in excess of a decade - between creation of an initial concept and the concept reaching commercial or industrial maturity. Consequently I believe that there will be a considerable change in the capability, scope, and functionality, of IPSEs and other tools before they reach "maturity".

We should not delude ourselves that there are "easy solutions just around the corner". I believe that there are still inherent difficulties in software development and that it will remain a major intellectual task for many years to come.

John A McDermid
Department of Computer Science
The University, York.

High-tech mirage

From Mr B Panton.

Sir,-The article in your issue of October 29 "Outline of Britain's high-tech mirage" reveals how the distance from Massachusetts gives Anna Lee Saxenian an accurate perception of a phenomenon which has yet to penetrate the consciousness of those who shape our Government's policy for high-tech industry.

Admittedly my company, when a seedling, was given momentum by a Government grant of £17,000 - incidentally, one of the *few* grants ever to be repaid to the Government in full. The paymasters, however, appear to be *swayed* by plausible arguments that the principal selection criteria should be to avoid any loss of taxpayers' money. Consequently the beneficiaries of the bulk of available grant funds are large concerns which are judged to have sufficient mass to generate plausible defences to inquiry in the event of failure.

The problem with plausibility is that it masquerades as fact. The true position is that the *managements of large companies* have a duty to their employees and shareholders to impede any Government policy which could spawn competitors. It follows then that big outfits will compete vigorously for Government funding and create enough projects to absorb the available funds.

My company is on a recruitment drive and we have reecntly interviewed several highly talented senior software professionals who are engaged in research projects for large companies, backed by public money. They have come to perceive that these projects are not intended to have a realistic outcome.

But Government backing for the big fish soaks up more than money. It keeps vital technological talent out of the free marketplace, or else prices it out of the reach of the smaller, more productive and innovative technology company.

Bernard Panton,
Telecomputing,
244 Barn's Road, Oxford.

Engineering training

From the Training Director
Aylesbury Industrial Group Training Centre

Sir,- I was horrified to read (October 27) that once again the Engineering Industry Training Board backs down on monitoring plans. Final decisions on this matter should have first been made in March, were deferred to June and now, once again, decisions have been put *off.*

I *suggest* that the 1964 Training Act be implemented in respect of all engineering companies then all skilled men will be trained again, if not our nation will be one of peasants in ten years time.

W E G Woods,
Gatehouse Close,
Aylesbury, Bucks.

Travelling in Switzerland

From the Director for UK and Ireland,
Swiss National Tourist Office.

Sir,- I am very surprised that your newspaper, which is reputed for its integrity and accuracy of reporting, allows rubbish to be printed on the travel page.

Robin Lane Fox wrote (October 24) that it would have cost him £40 to leave his luggage for five hours at Geneva airport. I would be most surprised if he indeed travelled by air to Geneva with 50 pieces of luggage. This is the number required to pay the large sum of £40 at the fee of SFr2 (80p) per piece at the left-luggage office at Geneva airport.

Mr Fox also states that it would have cost him another £30 to travel from the airport to Geneva station and return. At the cost of SFr5 (£2) for a single journey, Mr Fox's family would have had to include 7 or 8 adults, a fact which was not mentioned in the article.

He also, on reference to travel within Switzerland, omitted to report that, when accompanied by a parent, children up to the age of 16 travel free on railways and postal buses, and those between 16 and 25 years can travel at half-fare with a family ticket, obtainable free of charge from railway ticket offices.

Switzerland has some of the finest skiing areas in the Alps and a reputation for giving good value for money, even against the tide of depreciating foreign currencies which can give the false impression of rising costs in Switzerland. I therefore feel very strongly that it is most unfair and of no benefit to readers for Robin Lane Fox to knock Switzerland as a winter sports country.

A Kunz,
Swiss Centre, New Coventry Street, W1.

Robin Lane Fox writes: That was what I was quoted.

Double summer time

From Mr K Lilley.

Sir,-With the ending of British Summer Time on October 25 I have seen suggestions that it should in future continue thoughout the winter, a view which I support, but I have not seen the idea that we should re-introduce the practice, that I am old enough to remember from the war years, of double summer time.

This would mean that we would have BST in the winter and then on the same days as this year move the clocks for*ward and back one hour* thus putting us two hours ahead of GMT in the summer.

There would be the obvious business advantage of then always being in line with most European countries, longer light evenings continuing later in the year to the benefit of those at work during the day, and considerable energy saving through less need for lights at an early part of the evening, with dark mornings only occurring at the extremes of the summer.

They say that it is more difficult to induce children to sleep on light evenings, but they seem often to go to bed later these days and I do not think this should foil the other advantages.

K B Ward Lilley,
86 Narrow Street, E14.

FINANCIAL TIMES

Monday November 2 1987

James Buchan on Wall Street

In Bangkok on black Tuesday

BLACK MONDAY in New York was a dark Tuesday morning in Bangkok and Mr Richard Goeltz, treasurer of Seagram, was sleeping as soundly as anybody can who runs the financial affairs of a $6.5bn group of companies and a $500m set of pension schemes.

Mr Goeltz, in Thailand with a Seagram team negotiating the future of an offshore gas field with the Bangkok government, was woken at 3.30am by a ringing telephone. The market value of his company was tumbling on the New York stock exchange and the company pension funds, which are heavily invested in equities, were contracting almost as fast.

Seagram's prime corporate asset, a 22.5 per cent stake in the Du Pont chemicals group, had lost $1bn in value while Mr Goeltz slept. What was he going to do about it?

Mr Goeltz, 45, a precise, articulate man with the air of both don and dandy, spoke on the telephone without stopping for the next two hours.

That he was one of America's calmer corporate treasurers that day says something about the stability of the Canadian-US company's principal liquor business and its financial strength. The reported earnings of $423.5m, including a contribution from Du Pont, on sales of $3.34bn, in the year ended January, 1987.

Unusually for a New York financier, Mr Goeltz admits being stunned by the "timing, severity and rapidity" of the October 19 crash. There was nothing to be done about the pension funds, which are managed by professionals in Canada, the US and the UK. But he had taken other steps when the outlook was bad that served well when the outlook turned ghastly.

"There was a myth - that we never believed - that demand for beverage alcohol is recession-proof," Mr Goeltz said last week back in Seagram's magnificent headquarters on New York's Park Avenue. "The years 1973-75 showed that was fallacious, but we're a typical consumer non-durable. Though I personally anticipate a recession next year, the company will not be fundamentally affected."

With its worldwide spread of businesses, from Chivas Regal scotch whisky to Sandeman port, "We're better positioned to take advantage of opportunities and avoid serious problems." Mr Goeltz believes the same can be said for Du Pont.

Financially, Mr Goeltz has been battening down hatches for some time. In papers prepared for Mr Edgar Bronfman, Seagram chairman, in September 1986, Mr Goeltz warned of the strains imposed on a fragile financial system by the haemorrhaging US external accounts and budget deficit.

He was already a bear of the US dollar, and "essentially got out of all of our foreign currency debt" in the spring of 1985. Mr Goeltz had a small relapse this time last year, when he borrowed SFr250m at a large interest-rate discount to the US market and at a maturity - 99 years - which makes the debt all but indistinguishable from equity. He expects the dollar to weaken further - through DM1.60 for example - and spent much of that Tuesday morning ensuring that all Seagram's foreign affiliates were toeing the party line and "had not snucked in some local-currency borrowings." The dollar has since fallen to a seven-year low against the D-mark and a record low against the yen.

Meanwhile, Seagram has been paying down or lengthening the maturity of its local-currency debt since last winter, which he says will seem "a propitious time to borrow long-term." On balance, he fears that the injection of liquidity to rescue the stock-market may keep inflationary expectations alive even in a recession, so that interest rates may not fall as low again.

The result is that Seagram is strong enough now to go on the offensive. Its debt, net of cash and receivables, is just $800m when shareholders' equity of $4.4bn could support borrowings many times larger. "One of the more interesting opportunities is how to take advantage of our great financial strength," he says. For the moment, Mr Goeltz, like nearly 300 other US corporate treasurers, is buying his own stock at cheaper prices: about 1m shares in Seagram and a bit of Du Pont, although Seagram is limited to 25 per cent of the chemicals group by a standstill agreement.

But not every company is as strong as Seagram. "I'm a little bit worried about the solvency of a number of major financial institutions - and the ripple effect that could go through the market," he says. That Tuesday morning, he had his staff go back to every major financial transaction, especially the new-fangled interest-rate and currency swaps, to ensure that the "counterparty is as solvent as we are."

Having done that, and it being 5.30am Bangkok time, Mr Goeltz went back to sleep.

UK acts to limit currency losses

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE Bank of England has sought to limit the risk of losses on its intervention in currency markets this year by switching part of its foreign exchange reserves out of dollars and into D-marks and yen.

The Bank's intervention since the start of the year is thought to have totalled between $18bn and $20bn, most of which has been added to its foreign exchange reserves.

Official figures due tomorrow are expected to show another sharp rise in the reserves during October.

Most of the intervention has been in the form of dollar purchases.

In part, it reflects the commitment of leading central banks to support the dollar following February's Louvre accord among the Group of Seven industrialised nations, but the main aim has been to limit sterling's rise against the D-mark.

In particular, the Bank has successfully held the pound below DM3.00.

Because the market in direct sterling/D-mark transactions is relatively small, the Bank's intervention has mainly been in the form of purchases of dollars. Those purchases indirectly push down the pound's value against other major currencies, including the D-mark.

The Treasury, which owns the reserves, is aware, however, that such a large build-up in dollar holdings exposes the Bank to the possibility of substantial losses if the dollar continues to fall

Much of the Bank's intervention earlier this year, for example, came when the dollar/sterling rate was around $1.60. By the end of last week the US currency had fallen to $1.70, exposing the Bank to sizeable potential losses.

To limit that risk the Bank has been discreetly swapping dollars for D-marks and yen. It has been careful to avoid such operations at times such as last week when the dollar has been under intense pressure.

A move out of the US currency in those circumstances would undermine the Louvre accord.

Frequently, however, the pound's strength against the D-mark has coincided with periods when the dollar has also been resilient, allowing the Bank to switch reserves into other currencies without threatening that agreement.

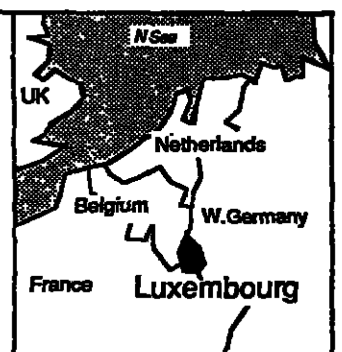
The Bank has consistently declined to comment on the composition of its foreign exchange holdings, but according to one Whitehall source the extent of the recent diversification has been "substantial".

Luxembourg prepares to set sail

BY TIM DICKSON IN LUXEMBOURG

LAND-LOCKED Luxembourg, a country of lakes and mountain streams but no coastline, is preparing to become a maritime state.

Seemingly bizarre plans for the land-locked Grand Duchy to become a maritime nation are likely to create more than just a few ripples of amusement in the shipping industry. The scheme to establish a Luxembourg 'flag' is now well advanced



Plans to establish a Shipping Registry in the Grand Duchy - and hence a Luxembourg "flag" - are now so well advanced that enthusiasts believe a Luxembourg fleet could be sailing the high seas by the middle of next year.

This apparently bizarre scheme, which has been officially approved by the Luxembourg Government, is likely to create more than just a few ripples of amusement in the world's shipping industry.

For the Grand Duchy's ambition is nothing less than to cash in on the growing global pressures for "flagging out" - the term for shipowners in industrialised countries who opt to register their vessels where bureaucratic regulations and tax are kept to a minimum - and to provide a respectable European alternative to flags of convenience such as Bermuda, Panama and Hong Kong.

Intense interest, moreover, is already being expressed by the Belgians, whose financially battered shipowners have been kept afloat in recent years only through expensive public sector support - BFr600m ($16.6m) in 1987 alone - and who now see this neighbouring "lifeboat" as one means of facilitating a rescue.

The idea of a Luxembourg flag was first considered several years ago, but it was seriously revived only at the beginning of last year when a retired sea captain, Mr Georges Molitor, was asked by the authorities to draw up a report. He contacted Mr Philip Aspden, general manager of the West of England Shipowners Mutual Insurance Association in the Grand Duchy, who in turn drew up the feasibility study on which the major political decisions have been based.

Mr Aspden points out that any state, whether or not it has a coastline, has the right to permit ships carrying its flags to navigate on the high seas, adding that other inland countries, such as Czechoslovakia and Hungary, have run their own fleets for many years.

The main advantage for Luxembourg would be the development of another niche in its expanding financial services sector - an opportunity which the Grand Duchy's growing army of bankers, lawyers and accountants seems well placed to exploit.

A Shipping Registry might also attract other financial activities, such as trade finance and ship broking, while extra prestige would be involved if Luxembourg was able to achieve the status of an official, or even unofficial, European Community "flag". Tentative discussions have already been held with the Transport Committee of the European Commission in Brussels.

Luxembourg is sensitive to suggestions that it will be providing an artifical haven for shipowners, thereby facilitating the evasion of their fiscal and social responsibilities. General criticisms of the Grand Duchy as a tax haven are always angrily refuted.

"The idea is to steer a middle course", explains Mr Aspden. "The procedures would be based on the minimum labour requirements of the International Labour Organisation and the United Nations Convention regulating the conditions applicable to the registration of ships. Registration will not be tax-free like Liberia or Panama - the idea is to make it tax efficient".

If a Luxembourg flag is made acceptable to the shipping unions, the question is whether it will interest shipowners who are already being seduced in Europe by other options.

The main interest in the Grand Duchy's ideas at the moment appears to be coming from Belgium, where the outgoing Government of Mr Wilfried Martens has been greatly concerned at the financial plight of the country's merchant fleet, recently reduced from 2.2m gross registered tonnes to 2m, thanks to flagging out.

Mr Hermann de Croo, the Belgian Transport Minister, is known to consider a move to the Luxembourg flag as the ideal compromise: shipowners could legitimately reduce their crewing costs, improve their financial position and reduce the burden of state support but without the political odium of moving to an out-and-out flag of convenience.

Estimates suggest that the total annual operating savings on a standard size Panamax vessel (roughly 30,000 tonnes) could be about BFr22m or 25 per cent a year. Such a development would be even more respectable given the close economic and political ties which are established under the 1922 Economic Union between Belgium and Luxembourg.

Moscow envoy holds talks with Iranians

BY RICHARD JOHNS IN LONDON

A SENIOR Soviet envoy held talks in Tehran at the weekend amid indications that Iran has not given its definitive response to the appeal for a ceasefire made by Mr Javier Perez de Cuellar, the UN Secretary General.

Mr Perez de Cuellar's efforts to bring an end to the fighting in line with UN Security Council resolution 598 still appear deadlocked. Failure to work out a compromise is expected to lead to renewed diplomatic pressure by the US and the UK for an arms embargo against Iran.

Mr Perez de Cuellar is scheduled to meet separately with Iranian and Iraqi delegates to the UN today to discuss replies sent by Tehran and Baghdad to his most recent proposals.

Sir Geoffrey Howe, the British Foreign Secretary, accused Moscow on Saturday of obstructing the enforcement of the resolution. The Soviet Union "has not so far been willing to get down to work on an arms embargo to be imposed if the Security Council's efforts fail," he said in Cairo after talks with President Hosni Mubarak of Egypt.

However, a note of optimism was struck by Mr Giulio Andreotti, the Italian Foreign Minister, who expressed the belief that the UN was "within days" of securing an accord on a ceasefire. Mr Andreotti held the presidency of the Security Council last month and had seen the replies of both countries.

The US, meanwhile, suffered a setback in its campaign to isolate Iran economically and politically when Japan confirmed that it would not join in the sanctions announced a week ago by President Ronald Reagan.

Yesterday's meeting between Mr Yuli Vorontsov, Soviet First Deputy Premier, and Mr Ali Akbar Velayati, the Iranian Foreign Minister, coincided with the expiry of the 15-day deadline set by Mr Perez de Cuellar for an unequivocal answer from Iran and Iraq to proposals he put forward on October 15.

Mr Vorontsov was reported to have delivered a message from Mr Eduard Shevardnadze and to have briefed Mr Velayati on the Soviet Foreign Minister's talks with Mr George Shultz, the US Secretary of State, in Washington last Friday. At the weekend there was no indication that the Washington talks had produced any understanding about the Gulf.

Before leaving Kuwait for Tehran, Mr Vorontsov had said that the UN Security Council's call for a ceasefire embodied in resolution 598 of July 20 "must be implemented sooner or later". He was critical of the US naval presence in the region, which now totals 40 vessels, and repeated Moscow's call for an international force to separate the belligerents.

Iran's written reply submitted to the Secretary-General's office at the end of last week was not explicit, according to diplomats at the UN.

Earlier last week, Mr Vorontsov visited Iraq where he apparently found no change of position. Baghdad has insisted that the resolution, which calls also for a return to pre-war borders and an exchange of prisoners-of-war, should be accepted in its entirety by Iran and a ceasefire should be unconditional.

Under Mr Perez de Cuellar's revised proposals there would be a de facto ceasefire while an international inquiry examined responsibility for starting the conflict in 1980.

These seemed close to what the Iranian leadership had said would be acceptable to Tehran.

Italian senators reject budget proposals

BY ALAN FRIEDMAN IN MILAN

THE ITALIAN Government's 1988 budget legislation has been rejected by the Senate budget committee, which has suspended work on it and told the Administration led by Prime Minister Giovanni Goria to rewrite the proposal and impose more rigour on public spending.

The unusual rejection of the legislation - the budget normally goes through several months of negotiation and amendment but not outright rejection - comes amid rising tension inside the coalition Government.

In addition to the embarrassment over the budget, the leaders of the Christian Democrat and Socialist parties traded insults at the weekend over the Cabinet's failure on Friday to agree on a law to guarantee public services in the face of widespread disruptions of air and train traffic in Italy. A five-hour cabinet meeting was prevented by the Socialists from approving a law proposed by Mr Goria to require at least 15-days' prior notice by unions whose strikes affect public services.

Mr Bettino Craxi, the former premier and Socialist party leader, explained at the weekend that he had not been consulted about the law, which in any case the Socialists feel should first have been discussed with union leaders. Mr Ciriaco De Mita, the Christian Democrat leader, claimed the Socialists had previously agreed to the Goria proposal and that Friday's impasse represented an "about face".

Tensions over the much-criticised budget proposal (which has even drawn fire from the Bank of Italy), the crippling airport and train strikes and next week's referendums on nuclear energy and judicial reform, have combined to create an atmosphere of pronounced political instability inside the five-party coalition.

Mr Giuliano Amato, the Treasury Minister and the most senior Socialist in the Government, has himself been critical of the 1988 budget plan and said at the weekend that the Government "must now take into consideration the (Senate) committee's indications." He said the budget, which was presented by the Government at the end of September, must be rewritten within one week so that the Senate can resume its work and act by November 25.

There are three key articles most likely to be revised in the proposal: the ceiling on the 1988 public sector deficit may be brought down from L109,500bn (nearly $86bn) to around L100,000bn by new taxes and further spending cuts; the increase in value-added taxes, which has been criticised by the Governor of the central bank as contributing to a "mechanical rise in inflation", may be eliminated; and proposed cuts in the level of IRPEF, the Italian income tax, may be abandoned.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	22	72	Dubrovnik	S	17	63	Malta	S	25	77	Rhodes	S	17	63
Algiers	F	30	86	Edinburgh	C	9	48	Manchester	C	10	50	Rio de J'o			
Amsterdam	C	13	55	Faro	F	20	68	Manila				Rome	S	20	68
Athens	F	13	55	Florence	F	20	68	Melbourne	S	34	93	Salzburg	D	4	[illegible]
Bahrain	S	31	88	Frankfurt	R	11	52	Mexico City				San Francisco	C	14	57
Bangkok				Funchal	F	19	66	Miami	R	25	77	Seoul	C	15	59
Barcelona	S	21	70	Geneva	C	12	54	Milan	C	13	55	Singapore	F	31	88
Beirut				Gibraltar	F	19	66	Montreal	C	3	37	Stockholm	C	5	41
Belfast	F	9	48	Glasgow	F	9	48	Moscow	S	5	41	Strasbourg	C	13	55
Belgrade	S	9	48	Guernsey	S	13	55	Munich	C	9	48	Sydney	S	24	75
Berlin	C	10	50	Helsinki	R	6	43	Nairobi	C	27	81	Taipei			
Biarritz	S	20	68	H. Kong	C	26	79	Naples	S	21	70	Tangier	F	23	73
Bombay	S	33	91	Innsbruck	S	11	52	Nassau				Tel Aviv	F	23	73
Bordeaux	F	14	57	Inverness	F	8	46	New Delhi	S	29	84	Tenerife	C	23	73
Brussels	C	14	57	Isle of Man				New York	S	7	45	Tokyo	C	15	59
Budapest	S	8	46	Istanbul	R	9	48	Nice	C	18	64	Toronto	C	2	36
B. Aires				Jakarta				Nicosia				Tunis	S	26	79
Cairo	S	26	79	Jersey	C	14	57	Oporto	C	19	66	Valencia	F	20	68
Cape Town	S	24	75	Jo'burg	F	27	81	Oslo	C	6	43	Venice	S	13	55
Caracas				Lima				Paris	F	14	57	Vienna	S	8	46
Casablanca	F	23	73	Lisbon	C	16	61	Peking	F	7	45	Warsaw	S	7	45
Chicago	C	10	50	London	C	13	55	Prague	S	8	46	Washington	C	8	46
Cologne	C	13	55	Los Angeles	C	17	63	Reykjavik	C	5	41	Zurich	C	14	57
Copenhagen	R	7	45	Luxembourg	C	11	52	Readings at mid-day yesterday							
Corfu	S	20	68	Madrid	F	16	61	C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain							
Dallas	C	18	64	Majorca	S	23	73	S-Sun Sl-Sleet Sn-Snow T-Thunder							
Dublin	C	10	50	Malaga	F	21	70								

Deng triumphs Continued from Page 1

ing through the motions.

Diplomats were surprised by the scope of the changes, which have affirmed the value of the economic and political reform programme initiated in late 1978 and expanded last week to include proposals for wide-ranging curbs on the party's power. Most surprising is that such a victory has been achieved in a year marked by brutal party infighting, a tough campaign against western influence, and the fall in January of Hu Yaobang, the Communist Party General-Secretary.

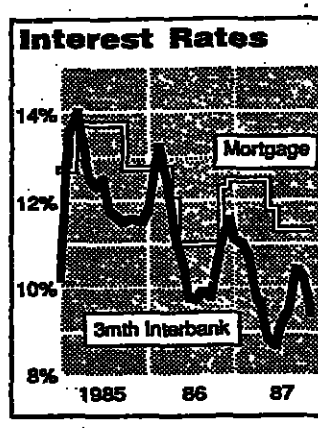
Hu is likely to be formally replaced as party chief today by Zhao Ziyang, who presided over the congress's closing ceremony, and who will retain the position of Premier until early next year. Hu Yaobang is likely to lose his place on the Politburo Standing Committee today and could even be dumped from the Politburo itself although he was not among those forced off the Central Committee.

For some of the retiring officials, Long March veterans among them, the ceremony yesterday brought to an end party careers lasting more than 60 years, and careers studded with purges and political resurrections.

THE LEX COLUMN

US takes stock of itself

Mr John Reed, chairman of the US bank Citicorp, told the world last week that he had known for six months that equity values had to lose as much as a quarter of their value. One could have wished that he had shared this insight with members of the investing public six weeks ago, when they subscribed for 30m Citicorp shares at $58¼ a share. Last Friday Citicorp stock closed 31 per cent below that level, and Citicorp is now in the market as a buyer of its own shares.



Of course, Citicorp and the dozens of other major US companies which stepped into the stock market to buy their shares immediately after the drop in Wall Street on October 19 do not see their action in this negative light. Rather, they regard the massive drop in their share prices as totally unjustified and, no doubt helped by some official behind-the-scenes prompting, argue that their actions were designed to restore the confidence of both investors and employees.

Between October 19 and October 28, 276 new stock repurchase programmes were set up to retire $22.3bn of US equities, according to Salomon Bros. This compares with 207 such programmes totalling $38.5bn announced in the first nine months of 1987, and the $44.8bn of share buybacks announced in all of 1986.

The US is one of the few countries which allows its corporations to buy back their shares in substantial quantities. The $160bn or so of equity which has been retired over the last three and a half years played a big part in fuelling the Wall Street boom.

The big attraction of this device is that companies are able to boost their earnings per share, making themselves look more attractive to investment analysts. However, it also means that they are shrinking their equity base, and while the unprecedented level of US corporate buybacks over the last fortnight clearly helped stem the panic selling on Wall Street, it will not be much of a prop in a long-term bear market. Indeed, given the relatively high debt levels of corporate America, shareholders might be better served if companies held onto their cash or used it to repay debt, especially if the US is heading for a recession. Citicorp, in particular, has capital ratios and a Third World debt exposure which would greatly benefit from an expansion of its equity base.

Despite these caveats, there are strongly financed companies which can justify repurchasing their shares on the basis that it improves shareholders' net asset values and earnings per share. In the UK, companies have limited powers to buy back their shares and only a handful, such as GEC and J. Rothschild Holdings, have availed themselves of the opportunity. Tax angles apart, there could be a case for Glaxo, for instance, following the example of Merck of the US and using some of its rapidly growing cash pile to buy back its shares. Glaxo's earnings multiple may still be too high to justify this sort of action, but it would at least give shareholders the choice of whether or not to invest their money by proxy in US treasuries.

Building societies

The dramatic drop in the building societies' share of new mortgage lending, from 85 per cent in 1984 to around 50 per cent now, has led to real fears about the long term survival of one of the more delightful species of British financial institution. The combination of a stock market boom, which has sucked small savers' money into more risky investments, and the aggressive inroads of new-style specialist mortgage lending institutions, has left many of the smaller building societies wondering where they fit in the brave new financial landscape.

The two year-old National Home Loans Corporation (NHL), which last week reported that it was administering over £1.2bn ($2bn) of mortgages and was making new mortgages at the rate of close to £150m a month, is typical of the specialist mortgage lenders which are now giving the societies a run for their money. It does not have the heavy overheads of a typical building society branch structure and, through its links with the life companies and an increasing number of banks, it can rely on a plentiful supply of good quality new business.

However, there are signs that the competitive advantages of specialist mortgage lenders may have peaked. The collapse in share prices is likely to blunt the phenomenal growth of unit trusts and the societies should be able to capitalise on their well-deserved reputation as a safe haven for the small investor in times of financial trouble. This could reduce, if not abolish, the financing advantages of the competition, and the only real danger for the societies could be that they lose the confidence of their customer base by over-ambitious expansion outside their traditional marketplace.

BA/BCal

Since British Airways first courted British Caledonian, the former has clearly been the latter's preferred partner in life. So the revelation that BCal was in active discussions with alternative buyers, as well as raising some much needed cash by selling its hotel operations, suggests that it is not sanguine about the chances of the merger going ahead as planned. The likelihood is that the Monopolies Commission, which is due to hand over its report to the Government this week, will allow the merger but could attach such onerous conditions that BA may no longer wish to go ahead.

The most obvious problem is what happens to the long haul routes such as London-Tokyo and London-New York, operated by both airlines. BA would dearly like to get them to itself, but that would mean Britain giving up hard-won dual designation as well as taking an anti-competitive step. If the commission insists that a combined BA/BCal must compete with another airline on those routes, much of the point of the merger is lost. Even if a new operator on those routes found it so expensive to get established that it was soon in as parlous a financial state as BCal, BA might never see its way clear to running them alone.

BCal has no option but to find a stronger partner, given its horrendous balance sheet. And as airlines' profits are highly geared to the world economy, a slowing of growth argues that BA needs to acquire some new operations if it is to expand. Given the present miserable rating of its paper, it could hardly be a worse time for BA to do so.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday November 2 1987

INTERNATIONAL BONDS

Problem of oversupply again thrown into sharp relief

THE TURMOIL in both the international government bond and equity markets over the last couple of weeks could fairly be described as shattering. But how much effect has it had on the Eurobond market?

The most obvious immediate consequence has been a reduction in liquidity in the Eurodollar sector. The question is whether this should be viewed as a short-term dysfunction, or a serious blow to a system already in disarray.

No one doubts that during the bull market conditions of the mid 1980s too many Eurobonds were issued, and too many of them were priced on terms that stood little chance of attracting investors. Inevitably, many of them have never seen active secondary market trading.

During the stockmarket crash – but not for the first time this year – the residual problem of this oversupply was thrown into sharp relief. In contrast to most of the centralised marketplaces, the Eurodollar bond market at various points simply ceased to trade.

For Mr Hans Joerg Rudloff, deputy chairman of Credit Suisse First Boston, this underscored yet again how far the Eurobond market had become divorced from its investor base. "The appearance of liquidity in the Eurobond market was really based on the speculative activity of financial intermediaries," he said.

It is, of course, harder to keep Eurobonds liquid than government bonds simply because their issue sizes are so much smaller.

And the volatility in the US Treasury market left Eurodollar traders without recourse to their usual method of evaluating bonds, the yield spread relative to the US government market.

Mr Dante Montalbetti, head of trading at Merrill Lynch International, said: "The market's traditional reference point was torn away from it."

The volatility in US Treasury bonds also meant that the market's usual technique of hedging long positions by selling US Treasury bonds short became impracticable. This was a consequence of a drying-up of stocklending by US investors to US investment banks.

The result was that yield differentials in relation to US Treasury bonds widened dramatically. This was most marked amongst the lesser-quality credits, where differentials widened by as much as 50 basis points, but spreads even on better quality names also widened by between 10 and 20 basis points.

Another result was that dealing sizes were curtailed, and bid/offered spreads widened out. For example, dealers who would once have quoted, for the most liquid issues, prices in sizes of $5m, on spreads as narrow as 10 basis points, now quoted them in $1m on 30 basis point spreads.

In the less liquid issues, bid-offered spreads widened out to around one full percentage point, and many dealers took the opportunity to drop trading them altogether.

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,008.3	670.7	412.8	6,515.2
Prev	1,918.8	242.8	736.0	5,143.3
Other	1,622.7	8.4	212.4	424.7
Prev	950.2	144.8	271.1	508.2
Secondary Market				
US$	26,983.0	2,603.4	22,384.9	8,718.0
Prev	24,567.7	1,744.4	14,963.6	6,214.9
Other	21,499.5	1,437.3	4,785.6	17,534.5
Prev	17,498.6	1,240.7	3,986.5	16,161.3

	Cedel	Euroclear	Total
US$	16,371.1	53,917.2	70,288.3
Prev	14,218.0	41,313.5	55,531.5
Other	20,256.0	27,269.1	47,525.1
Prev	18,261.2	22,500.2	40,761.4

Week to October 29, 1987 Source: AIBD

It now remains to be seen whether the market will be able to get back to normal. As far as the largest and the best quality issues are concerned, dealers say they are likely to emerge relatively unscathed. Indeed, a marked narrowing in spread levels on sovereign and supranational issues had already occurred by the end of last week.

The long-term consequences for bonds issued by lesser quality credits may, however, be more severe. At the end of last week, their prices were improving slightly as US investors moved in to buy them, attracted by the yield pick-up they were offering over alternatives in the US domestic bond market.

This was because, where yield spreads in the Yankee market had widened by around 25 basis points, those on comparable Eurobonds widened by around double this amount.

Nevertheless, most dealers were expecting last week that the trend towards a two-tier market, that has already become clear over the last year, would accelerate as a result of the crisis of the last two weeks.

This is giving rise to a clear split in the market between actively traded, high quality names, and more illiquid lesser quality issues, trading on much wider yield spreads.

The technical trading problems suffered by the Eurobond market over the last two weeks are just the most immediate aspects of the possible disturbance caused by the recent turbulence in financial markets.

Dean Witter Reynolds last week joined the increasing number of players who have already pulled out of the overcrowded Eurobond market. Meanwhile, an untold number have been retrenching their operations.

Now that many securities houses are facing severe losses on their other securities operations, it seems inevitable that the viability of their involvement in the Eurobond market will come under even closer scrutiny.

Mr Rudloff is certainly expecting a severe contraction in the market, to around 10 or 15 "genuine" market makers. Currently, there are well over 100 houses which profess to make markets.

It is, of course, too early to evaluate the effects on the primary market at the moment. The turmoil in the secondary market has made pricing new dollar issues almost impossible.

Meanwhile, associated swaps have been difficult to arrange since the swap market has been destabilised by increased concern about counterparty risk in the light of turmoil in financial markets.

Mr Rudloff, however, is expecting a considerable reduction in issuing volume. He suggested this could be down by as much as 50 per cent over the next year.

However, so pessimistic a view of the prospects for the new issue market is not universal. For instance, Mr Sheldon Prentice, managing director at Salomon Brothers International, says: "Over the last three or four years this market's been a pretty efficient way of raising money for an awful lot of people. I don't see that disappearing forever."

But most syndicate managers are expecting a trend to smaller syndicates.

Clare Pearson

Control of Chapelle Darblay to change

By Paul Betts in Paris

CONTROL of Chapelle Darblay, the troubled French newsprint manufacturer, is expected to change hands this week following the decision by Mr John Kila, the Dutch Canadian industrialist who took control of the company three years ago, to abandon his 42 per cent stake in the group.

Chapelle Darblay is now expected to be taken over by a partnership of the French Pinault pulp company and the Canadian Cascades papermaking concern.

Mr Kila had fought bitterly to stay at the helm of Chapelle Darblay, but in the end the opposition of the French Government, which owns 33 per cent of the company and has put up some FFr 2bn ($345m) in state subsidies in the recent years, proved too much.

The company faced increasingly tough liquidity strains after the French Government had decided to freeze further subsidies. Mr Alain Madelin, the French Industry Minister, was keen to find a solution to salvage France's biggest manufacturer of newsprint which would involve no more state subsidies and the departure of Mr Kila.

Mr Kila finally threw in the towel after the Government had engineered a takeover plan for the paper group by the Pinault-Cascades partnership.

The Government now intends to shed its 33 per cent stake in the company while Paribas, the French financial group, is also expected to dispose of its large stake in the newsprint maker.

After receiving substantial subsidies from the previous Socialist Government, Chapelle Darblay had become a test case of the new right-wing Government's liberal free market industrial policies aimed at ending state subsidies to troubled enterprises.

EUROPAPER AND CREDITS

Flight to quality tightens rates on sovereign paper

THE FLIGHT to quality in financial markets since the global stock market crash has pushed rates on sovereign Eurocommercial paper to new lows and made for a busy issuing period in all types of good-quality short-term paper.

Eurocommercial paper dealers say the best sovereign issues, such as Sweden and French state names, have been obtaining rates as low as 30 to 35 basis points below London interbank bid rates. Sweden, by comparison, would normally issue at 15 to 18 below Libid. Denmark's paper has tightened to 20 below Libid from around 10 normally.

There has, however, been little effect on margins for corporate paper. Rates for top corporate issuers – rated A1 plus and P1 by Standard & Poor's and Moody's Investors Service respectively – have stayed around Libid, though the absolute rates have obviously fallen in line with the markets.

One reason for increased demand for sovereign paper is probably that central banks, which are prominent buyers, have plenty of dollars to invest as a result of heavy intervention to support the dollar on the foreign exchange markets.

However, other buyers, too, have been seeking sovereign paper as well as top-rated corporate names. Corporates and investment managers, perhaps after liquidating share portfolios, have been seeking liquid, safe, short-term investments.

Issuers, however, have not been taking advantage of lower rates to issue in excessively large amounts. They may be unnerved by the volatility of interest and exchange rates and consequently feel it better to do nothing for the time being.

One lesson which dealers draw from recent experience is a reinforcement of their message to corporate issuers that they should obtain credit ratings.

Dealers obtained another weapon in their armoury with the publication of the first official estimates of the size of short-term Europaper actually in issue. The figures underlined the market's rapid growth.

According to the Bank for International Settlements, which based its data on estimates from Euroclear, the volume of paper in issue doubled to $42bn in the year to end-June. The total includes Eurocommercial paper, notes issued through underwritten facilities, and medium-term notes.

The BIS noted that the $21bn growth was equal to nearly 60 per cent of the expansion in the much larger US commercial paper market.

In syndicated credits – also expected to benefit from the stock market crash – the flow of new transactions remained fairly slow last week. There was, however, a rash of deals backing UK mortgages.

Mortgage Funding Corporation, a company established by (though not owned by) Kleinwort Benson to fund mortgages originated by others, mandated Samuel Montagu, Banque Nationale de Paris and Sumitomo Bank for a £150m five-year revolving credit.

It carries interest of 27.5 basis points above Libor, with fees payable if the facility is not fully drawn.

Central Capital Mortgage Corporation, a subsidiary of a Canadian financial services group, appointed SG Warburg to arrange a £60m three-year revolving credit to back UK mortgages, with a margin of 45 basis points above Libor. City and Provincial Home Loans mandated Bank of America International for a £25m five-year credit with a 40 basis point margin.

United Newspapers of the UK is to have a £200m fully underwritten multiple-option facility arranged by Samuel Montagu. The five-year credit has a maximum margin of 12.5 basis points over Libor, a utilisation fee of 5 basis points for over half usage, and a facility fee of 7.5 basis points on "available" amounts and 5 basis points on "unavailable."

In France, the Ecu450m credit for Lafarge Coppee, for which Credit Commercial de France is arranger, has swiftly obtained commitments of nearly Ecu600m. They will be scaled down.

Trans-Tunisian Pipeline, a venture involving the Italian company SNAM, has mandated Bankers Trust International for a DM90m five-year loan with a margin of 12.5 basis points over Libor, with a currency option which produces sub-Libor funding for the borrower.

One deal which might have been expected to suffer from the stock market crash was the £485m bank funding being arranged as part of the management buy-out – Britain's biggest ever – of MFI, the UK retailing group.

Chemical Bank is leading six other lead underwriters in a deal which has an average life of 5¾ years and is believed to have a margin, including guarantee commissions, of over 1¼ per cent.

In general syndication, banks have taken up some £300m, exceeding the sell-down targets of the lead managers with a few more still to come through with commitments.

Some banks are believed to have reduced their commitments substantially after the crash, but this appears to have prevented a large oversubscription rather than harming the deal.

Alexander Nicoll

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New Issue 30th September, 1987

ECU 100,000,000

General Motors Acceptance Corporation

(Incorporated in the State of New York, United States of America)

7½ per cent. Notes due September 29, 1989

Issue Price 101 per cent.

Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A.	Banque Paribas Capital Markets Limited
Crédit Lyonnais	Merrill Lynch Capital Markets

Nomura International Limited

Bank of America	Banque Générale du Luxembourg S.A.
Banque Indosuez	Caisse Centrale des Banques Populaires
Credit Suisse First Boston Limited	Daiwa Europe Limited
EBC Amro Bank Limited	Generale Bank
Mitsubishi Finance International Limited	Morgan Stanley International

Sanwa International Limited

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New issue 15th September, 1987

Can. $100,000,000

General Motors Acceptance Corporation of Canada, Limited

(Incorporated under the laws of Canada)

10⅜ per cent. Notes due December 15, 1992

Guaranteed as to
payment of principal and interest by

General Motors Acceptance Corporation

(Incorporated in the State of New York, United States of America)

Issue Price 101½ per cent.

Union Bank of Switzerland (Securities) Limited

Chemical Bank International Group	Dominion Securities Inc.
McLeod Young Weir International Limited	Shearson Lehman Brothers International

Wood Gundy Inc.

Bank Brussel Lambert N.V.	Banque Générale du Luxembourg S.A.
Banque Internationale à Luxembourg S.A.	Chase Investment Bank
Crédit Commercial de France	Credit Suisse First Boston Limited
Dresdner Bank Aktiengesellschaft	Generale Bank
Hambros Bank Limited	Morgan Stanley International
Swiss Bank Corporation International Limited	Toronto Dominion International Limited

This announcement appears as a matter of record only.

New Issue 29th October, 1987

Union Bank of Switzerland

Union Bank of Switzerland

(Incorporated in Switzerland)

75,000 Bearer Shares of Sfr. 500 par value each

with Warrants to acquire

75,000 Bearer Shares of Sfr. 500 par value each

Offer price Sfr. 5,250 per Bearer Share and Warrant

Union Bank of Switzerland (Securities) Limited

Banque Bruxelles Lambert S.A.	Banque Indosuez
Commerzbank Aktiengesellschaft	Crédit Commercial de France
Crédit Lyonnais	Credit Suisse First Boston Limited
Daiwa Europe Limited	Deutsche Bank Capital Markets Limited
Dominion Securities Inc.	Dresdner Bank Aktiengesellschaft
Goldman Sachs International Corp.	Merrill Lynch Capital Markets
Morgan Guaranty Ltd	Morgan Stanley International
Nomura International Limited	Salomon Brothers International Limited
Shearson Lehman Brothers International	Swiss Bank Corporation International Limited
S. G. Warburg Securities	Wood Gundy Inc.

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New Issue 30th July, 1987

HFC

Household Finance Corporation

US$100,000,000

8½% Notes Due July 30, 1990

Issue Price 101¼%

Union Bank of Switzerland (Securities) Limited

Commerzbank Aktiengesellschaft	Goldman Sachs International Corp.

Shearson Lehman Brothers International

Algemene Bank Nederland N.V.	Banque Bruxelles Lambert S.A.
EBC Amro Bank Limited	Westdeutsche Landesbank Girozentrale
Chase Investment Bank	Compagnie de Banque et d'Investissements, CBI
Crédit Commercial de France	Deutsche Girozentrale—Deutsche Kommunalbank
Leu Securities Limited	Swiss Volksbank

US MONEY-MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.85	7.65	7.77	11.34	5.88
Three-month Treasury bills	5.26	5.38	6.64	7.17	5.18
Six-month Treasury bills	5.92	6.08	6.85	7.65	5.23
Three-month prime CDs	7.37	7.42	7.98	8.23	5.67
30-day Commercial Paper	6.86	7.80	7.40	7.70	5.68
90-day Commercial Paper	7.25	7.50	7.75	8.85	5.57

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	NA	NA	8.65	8.87	9.45
20-year Treasury	NA	NA	NA	9.21	9.76
30-year Treasury	98⅝	+¾	9.85	9.11	9.69
New 10-year "A Financial	NA	NA	–	10.85	10.58
New "AA Long utility	NA	NA	10.25	10.45	10.80
New "AA Long Industrial	NA	NA	10.04	10.35	10.75

Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 29/10/87 17/9/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	136.29	5.15	133.39	134.94	141.81
Government Bonds	137.86	4.78	133.29	135.56	143.83
Municipal Bonds	137.85	5.58	134.59	135.80	140.61
Govt.-guaranteed Bonds	137.85	5.64	135.58	135.75	140.84
Bank Debentures	132.12	4.97	130.51	131.95	135.10
Corporate Bonds	135.18	6.02	133.06	135.04	137.42
Yen-denom. Foreign Bonds	135.89	6.94	135.71	138.11	138.89
Government 10-year†		5.29	5.97	5.61	4.17

† Estimated par yield

Source: Nomura Research Institute

US MONEY AND CREDIT

Vast change in fundamentals

IT IS NOW the turn of US credit markets to behave out of character. US bond prices are rising even though the dollar is falling, reflecting the vast changes in perceptions and fundamentals in world financial markets over the past two weeks

In the recent past, a drop in the dollar as big as last week's nine pfenning and six yen decline would have set off a Wall Street bond market rout. Interest rates would have risen to help allay foreign investors fears about buying securities denominated in sinking dollars

Instead, prices rose more than a point and there was widespread conviction that they would hold up well even through the Treasury's quarterly refunding this week

Bonds faced this crucial test last week when foreign exchange markets concluded that the US Administration wanted the dollar to slide to help the US through its thicket of economic problems. Theoretically, massive central bank intervention to try to brake the currency's slide indicated that the Louvre Agreement to maintain existing parities was still in effect

Foreign exchange traders are not so sure and plan to keep up the selling pressure. They argue that the US has to let the dollar slide because it cannot afford to underpin it with higher interest rates while the US economy is coping with the equity market collapse

But the US Treasury is taking a big gamble that foreign exchange, stock and bond markets will take the devaluation in their stride. The relative composure they demonstrated last week might yet crack, some analysts suggest

Bonds have held up well to the currency pressure because they continue to be good investments under a number of different policy scenarios, said Mr Robert Brusca, chief economist of Nikko Securities in New York. Thus, he believes this week's refunding will go off well, helped by the small volume of 30-year bonds being auctioned on Thursday. The Treasury has congressional authority to sell only $4.75bn, roughly half the usual volume

The root of a lot of the uncertainties lies in capitals around the world. Governments have stopped tightening their monetary policies for now to salve the troubled financial markets but none has set policy on a permanently easier course.

In Washington, Mr Wayne Angell, a governor of the Federal Reserve Board, said the Fed's massive injections of liquidity were only temporary. At some point, he indicated, the central bank will drain the liquidity back out of the system

Presumably, the Fed will not try this until it feels reasonably confident that the financial system has come through the stock market collapse. The issue must be high on the agenda of the Fed's policy making open market committee which meets tomorrow.

The Fed's task is extremely delicate. Too much liquidity could keep interest rates low, drag down the dollar further than desirable, cut back the flow of foreign money funding the current account deficit and budget deficit and raise the prospect of inflation. Too little could crimp economic activity, perhaps to the point of a recession.

In fact, Washington may be stuck already, said Mr Anthony Salomon, former president of the Federal Reserve Bank of New York and currently chairman of the US operations of SG Warburg. He told Congress last week that it may be too late for an easier monetary policy to avoid an accumulation of weaknesses which would lead to a recession

So Wall Street's fixation with events in Washington, the most avid in at least five years, is highly understandable. A lot of the immediate focus has been on the Congressional-Administration negotiations on cutting the federal budget deficit. Even if the politicians manage to achieve the targeted $23bn of cuts for this fiscal year, a hard task in the run up to elections, they are running a high risk of disappointing those on Wall Street who believe only a much bigger cut would have a significant impact. On the other hand, there are people who believe any size of cuts will remove essential stimulus from the economy and cause a recession. Pity the poor policy makers

* * *

Economic statistics are light again this week. The following median estimate and range of forecasts came from Money Market Services of Redwood City, California

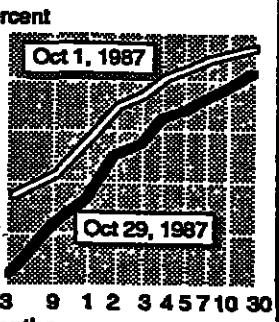
●On Thursday, the money supply figures for the week ended Monday October 26, and banking figures for the week ended Wednesday, October 29 will give a fuller picture of the stock rout's strains on the financial system. The median forecast for M1 growth is a hefty $3.5bn but the range of 27 forecasts is plus $1bn to plus $9bn. Ballooning M1 should not be too much of a problem. Money supply, as measured by its narrowest definition, has been relatively flat this year so some expansion in the short term would be acceptable. But fast, extended growth could begin to make the markets nervous again about inflation

●On Friday, October's employment data will be released. The median estimate for growth in non-farm employment is 228,000 with a range of forecasts from 175,000 to 280,000. The month's unemployment rate is forecast at 5.9 per cent, unchanged from September, with a range of 5.8 per cent to 6 per cent

●The market is already looking 10 days ahead to Thursday, November 12 when September's US trade deficit will be released. August's unexpectedly high $15.7bn shortfall was one of the triggers to the stock market's collapse. September's deficit is forecast at $14.7bn with a range of $12bn to $15.7bn

Roderick Oram

US Treasury yields



Source: Technical Data

UK GILTS

Issue of tranchettes signals return to normal business

THE NEAT formula for setting a floor under the price of British Petroleum should leave the UK Government bond market very little to worry about in terms of funding.

Even if the Bank were to buy in all the shares taken up by the underwriters to the issue and the private investors who applied even as global equity markets crashed about their ears, it is by no means clear whether this would have any impact on funding.

To the extent that the buying in of shares means the Issue Department of the Bank of England spends more than it had otherwise envisaged, the BP lifeboat could in theory be counted as negative funding. The maximum amount involved - again in theory - would only be about £1.5bn, by anybody's standards a small amount - about a tap and a half - when the Public Sector Borrowing Requirement is undershooting substantially.

The complexities of accounting within the Bank make it very difficult to ascertain any direct impact on funding. It seems that any influx of BP shares could mean a corresponding outflow of commercial bills or an outflow of gilts but it is not clear whether those gilts would then be held somewhere else in the Bank or be sold.

Given this accounting nightmare, it will probably come as a relief if the Bank ends up not purchasing a single share.

Looking at the Bank's promise to buy the shares as a put option, Mr Bill Allen, a director of Greenwell Montagu Gilt-Edged, calculates, on Thursday's closing price, that BP only has to reach about 84p, partly-paid, for investors to break even. This is the level at which it is not worth selling shares to the Bank anymore, taking both the price and the value of the option into account. Partly-paid BP shares closed at 85p on Friday.

There would be a neat precedent for the Bank not having to take up any of the shares in question in the form of the Burmah Oil rescue in the early 1970s. In this case, the Bank had to bail out Burmah (partly because of the declining value of its BP stake as the stock market collapsed). It bought the BP shares, only to see them rise steadily from then on.

After a week when the BP issue has assumed more importance than the current negotiations on the US budget deficit in Washington, always a much more fundamental and long-term issue, perhaps it will now fade as a talking point.

The Bank of England's issue of tranchettes totalling £800m seemed to signal a return to normal business amid confidence the gilt market had not, and would not, react adversely to the BP issue.

Focus should now shift to tomorrow's Autumn Statement and Wednesday's Mansion House speech. The Chancellor's statement shouldn't offer any nasty surprises. If anything, the inflation outlook looks better and growth prospects marginally worse than before the share crash - in other words, overheating fears should have diminished.

The City already seems to have discounted an overshoot on the public spending cash limits of up to about £3bn and a quick analysis suggests that, even if growth forecasts are edged down, the Chancellor will still be able to say such an overshoot keeps spending at an acceptable proportion of GDP.

If anything, the effect of the last two weeks is the difference between small tax cuts and a small cut in the PSBR in the Budget before the share collapse and large tax cuts and no cut in the PSBR now.

Gilts face a pretty favourable outlook and, although the BP rescue meant there was no base lending rate cut on Friday, one is still possible (perhaps on the morning after the Autumn Statement). However, after the sharp decline in long-dated yields over the last two weeks - from 10.6 per cent at the peak to around 9.4 per cent at Friday's close - there may be little more scope for progress at the long-end.

Mr John Shepperd, gilts economist at Warburg Securities, said: "If there were to be a base rate cut, this could just steepen the yield curve. Long gilts look most comfortable in a range between 9¼ per cent and 9½ per cent."

Janet Bush

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN Bank 8½ 92	150	96⅛	−1⅞	9.86
Aetna Life & Cas 7¾ 16	200	91⅝	+¼	8.53
AHFC O/S Fin 11¾ 94	100	98½	0	12.07
AIDC 11 89	75	100¼	−⅛	10.24
Alberta 7⅞ 91	750	94⅞	+⅛	9.14
[illegible]				
Philip Morris 9⅞ 98	200	97¼		10.30
Postipankki 11¼ 90	75	102¾		9.71
Procter & Gam 10 95	150	101½		9.78
Pru Rlty Secs 0 99	365	32⅝		10.52
Qantas Airways 8½ 96	97	91⅛		10.24
Quebec Prov 13 90	150	107⅝		10.05
Queensld Gvt 11⅛ 89	100	104¼		9.18
[illegible]				
Nova Scotia 11⅛ 91	100	100⅞	+⅛	11.37
NSW Treasury 11⅛ 90	150	105¼		9.26
Olympia & York 8¼ 96	435	87⅞	+⅛	10.52
Ontario Hydro 10⅞ 90	250	103	+¼	8.94
Ontario Hydro 11¼ 89	200	104½	+¼	8.96
Ontario Hydro 11⅝ 94	200	108	+½	9.83
Ontario Hydro 11¾ 90	200	106¾	+½	9.00
Ontario Hydro 13½ 91	100	111⅝	+¼	9.22
Ontario Hydro 14¾ 89	150	107¾	+¼	8.90
Ontario Hydro 15 92	150	120	+½	9.54
Pacific Gas & El 12 00	75	109½	+⅝	10.56
Penney J C 12¾ 91	100	105¼	−⅛	10.85
Pepsico Capital 8⅜ 91	100	96	−¼	9.77
Pepsico 7⅞ 93	200	91	+½	9.51
Petro-Canada 7¼ 96	200	85⅞	+¼	9.85

	Issued	Bid price	Chg on week	Yield
IU Intl Corpn 6¾ 2002	75	79⅞	−11⅞	21.23
Long Term Cred Bk 1⅞ 02	200	96½	+6½	3.27
MCA 5½ 02	300	69⅝	−12⅞	20.17
Mitsubishi Bk 1⅞ 02	300	96½	+11½	6.91
Newmont Mining 7 01	100	106⅞	−7	10.97
Nippon Seiko 3⅞ 99	70	158¾	+16	2.37
Rockefeller Centre 0 00	952	24⅝	−2½	−65.58
Southwest Air 6¾ 98	35	75¼	−4⅝	105.52
[illegible]				
Woodside Fin (July) 97	300	99⅛	−⅛	7⅞
Woolwich Equit. ⅛ 95 £	200	99¼	−⅛	10⅛
Zentral Und Kom ⅛ 91	30	99⅞	+½	7⅛

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
American Bankers 5¾ 01	70	84⅞	−1¼	81.42
Canon 3 00	100	227	+2⅝	3.66
Citizen Watch 3 00	50	144¼	+2	−5.71
Eastman Kodak 6⅜ 01	300	113¼	−8	5.29
Elders UK 5 97	75	88⅞	−5⅛	19.33
Fanuc 3⅞ 98	80	214	−9½	2.08
Fujitsu 3 99	200	161½	+7⅞	4.58
Gibraltar Savings 7½ 06	100	59⅞	−13⅝	54.99
Intl Paper 5¾ 02	200	79⅞	−7¼	68.76

BOND WARRANTS	Expiry date	Bid price	Chg on week	Yield
Aegon Ins 11⅛ 91	15/2/88	—	—	—
Citicorp 8 96	1/10/88	5	−1	7.92
Credit Suisse (Panama)	13/2/92	52	0	10.16
Den Norske Crd 8¾ 96	8/8/89	10	0	8.08
Denmark 12¾ 92	31/1/90	—	—	—
Finnish Exp Cr 12¾ 91	21/11/89	—	—	—
General Elec Crd 12 94	15/11/87	—	—	—
McDonalds 11⅛ 94	5/1/89	—	—	—
Mitsubishi Fin 12⅝ 91	8/11/89	—	—	—
Nordic Inv Bank 7⅞ 96	30/10/91	7	+1	7.76
Westpac Bankg 12⅝ 92	31/1/90	—	—	—
Weyerhaeuser C 11½ 90	15/11/87	—	—	—

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on October 30.

WAY CLEARED FOR LINK WITH PIEDMONT

USAir merger approved

BY JAMES BUCHAN IN NEW YORK

THE US FEDERAL Government has approved the creation of the country's fifth-largest domestic airline by over-ruling an administrative law judge who complained that the merger of USAir and Piedmont *might cut competition*.

The $1.51bn merger will make an airline which will be a powerful force in much of the eastern US. The merger gives USAir, which does its prime business through Pittsburgh, easier access to such *important airports* as La Guardia in New York and National in Washington.

Friday's decision by the Department of Transportation surprised the industry because it set no conditions for the merger – despite growing political opposition to the consolidation that is reshaping US commercial air traffic.

Congress and the Administration have been flooded with complaints from the public that the mergers have led to higher faces and worse service.

USAir, and Piedmont, whose chief airport is Charlotte, North Carolina, agreed to merge in March with USAir paying $69 a share for the smaller carrier. But in September Mr Ronnie Yoder, an administrative law judge, ruled that the merger raised questions of competition and said that the department should reject it.

● Pan American World Airways, the sorely troubled airline which is attempting to attract an infusion of capital, is enjoying a strong upturn in its operations thanks to an improvement in load factor in the third quarter from 60 per cent to 71 per cent.

Pan Am said it expected earnings to rise 10-fold to at least $63m in the third quarter on an increase in revenues from $888m to $1.05bn.

Pargesa sees good progress this year

BY WILLIAM DULLFORCE IN GENEVA

PARGESA, the Swiss holding company for the financial and industrial group led by Mr Albert Frère of Belgium and Mr Gérard Eskenazi of France, booked consolidated net earnings of SFr125m ($87m) in the first half of 1987, an advance of just under 21 per cent over the same period last year.

Net earnings per share were SFr114.20 compared with SFr109.70.

Annual results cannot be extrapolated from the half-way figures because of the *seasonal* nature of the income from Pargesa's shareholdings, but the company expects that both net profit and earnings per share will "progress favourably."

Last year Pargesa posted net income of SFr146m and earnings per share of SFr150.50.

Earnings per share have been protected since the beginning of this year by "appropriate currency hedges" and the stock market crisis should not materially affect budgeted profits, the company stated.

Both Pargesa and GBL are participating in Henry Ansbacher's £69m capital increase, which, Pargesa *said, should give* the merchant bank the resources and liquidity it needed to have a more significant presence in the UK.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Canvas II†♦	30	1992	5	(b)	100.1	Mitsui Trust Int.	-
Guaranteed Inv.†♦	140	2037	50	(i)	100	Merrill Lynch	-
NEW ZEALAND DOLLARS							
BFC Overseas Inv.†♦	225	1992	5	(e)	100.10	Morgan Guaranty	-
Bank of New Zealand†♦	210	1990	3	(f)	100.10	Warburg/Bk of NZ	-
Bank of New Zealand†♦	210	1990	3	(g)	100.10	Warburg/Bk of NZ	-
DEUTSCHE MARKS							
News Int.♦	100	1992	5	6⅝	99½	Deutsche Bank	6.746
World Bank**♦	250	1993	6	6¼	100¼	DG Bank	6.199
SWISS FRANCS							
Continental Health♦	28	1995	-	(7)	(100)	Bqe Gutzwiller, K.B.	*
Sandhurst Mining§(a)♦	20	1994	-	6	100	Bqe Gutzwiller, K.B.	6.000
Hayes Resources§♦	40	1992	-	5⅛	100	Banque Indosuez	5.191
Nokia Corp.	100	1993	-	(5½)	(100)	Nordfinanz-Bank	*
Prov. of Steiermark♦	100	1997	-	5¼	100½	Wirtschafts-und P'Bk	5.151
Bell Canada**♦	100	1993	-	5⅛	100	UBS	5.125
Austria**♦	150	1992	-	4¾	100	Credit Suisse	4.750
GUILDERS							
World Bank♦	300	1997	10	7	100	ABN	7.000
LUXEMBOURG FRANCS							
Sommer Allibert♦	700	1992	5	7½	100	Bqe Int.a Lux.	7.500
FINNISH MARKS							
World Bank♦	300	1992	5	9⅞	101	Postipankki	9.564
STERLING							
Nat Home Loans †♦	100	2014	7	(c)	100	Morgan Guaranty	-
McDonalds ♦	50	1992	5	9¾	101½	BZW	9.361
YEN							
Italy♦	250bn	1992	4¼	5⅜	101⅛	Nomura Int.	5.439
Italy♦	150bn	1992	5	(d)	100.10	Nomura Int.	-
Chugoku Elec.Power	20bn	1992	5	(h)	100	Morgan Guaranty	-
ECU							
EIB♦	100	1997	10	8⅜	101½	Bqe. Paribas	8.150
ENEL♦	200	1992	5	8	99	Bqe. Paribas	8.252

*Not yet priced. ♦With equity warrants. †Floating rate note. **Private placement. ♦Final terms. ♦Currency linked. §Convertible. (a) Double convertible into stock or gold cash equivalent. (b)¼ over 6 month libor rate. (c)¼ over 3 month libor rate, ½ after 7 years. (d)Either Japanese long term prime rate less 0.55% or coupon of most recent bank debenture plus 0.35% (whichever is higher)(e)90 day New Zealand bank bill offered rate less 50bp. (f)3 month bank bill offered rate less 50bp for first 3 months, 6 month bank bill offered rate less 50bp, thereafter. (g)3 month bank bill offered rate less 50bp. (h)¼ over 6 month yen libor rate.(i)⅛ over 3 or 6 m libor or equivalent. Note; yields are calculated on AIBD basis.

Telefonica in 27% nine month advance

By David White in Madrid

TELEFONICA NACIONAL de Espana, which has been forced to call off a major rights issue, following the sharp decline in its *share price*, has *increased* net profits by 27 per cent for the first nine months of 1987.

The earnings figure of Pta46.19bn ($402m) exceeded the company's full-year 1986 profits of Pta45.25bn, and came after a 20 per cent rise in depreciation charges to Pta118bn. Gross cash flow was 24 per cent *higher at Pta196bn, on turnover* 15 per cent up at Pta396bn. Turnover for the year is forecast at about Pta550bn compared with Pta450bn last year.

As a result of the share slide, Telefonica has postponed a one-for-ten rights issue totalling Pta64.5bn, subscriptions for which were due to open on November 7. The new shares were to be issued at 160 per cent of par.

Telefonica said it would seek alternative financing through bond issues and that it intended to press ahead with an ambitious Pta1,670bn investment plan for the four years to the end of 1991.

Canadian textile group in $130m takeover

BY ROBERT GIBBENS IN MONTREAL

CANADA'S largest textile company, Dominion Textile, whose joint US$2.8bn bid for Burlington Industries failed last summer, *is buying the Wayn-Tex* division of Waynesboro Textiles for US$130m.

Wayn-Tex is a leading maker of polypropylene woven fabrics, used for cotton backing and packaging farm products. It has also entered the lightweight non-woven *market for medical*, consumer and industrial uses. The company is based in Waynesboro, *Virginia*. Domtex said the acquisition was part of its strategy to expand its industrial products base in the US.

●Montreal Trustco, Canada's fourth-largest trust company, *almost doubled earnings* in the first nine months of 1987.

Revenues were C$666m (US$504.5m), up from $420m a year earlier, and net profit was C$40.2m or C$1.05 a share against C$19.6m or 70 cents a share.

Third-quarter earnings equalled 35 cents against 25 cents. Average shares outstanding in the nine months totalled 33m against 26m.

Total assets of Montreal Trust, part of the financial services group of Montreal financier Mr Paul Desmarais's Power *Corporation of* Canada, reached $7.5bn, up from $6.3bn a year earlier.

Each of the company's divisions, from fiduciary services to *real estate* and money management, produced strong gains in performance.

●The boom in construction in Ontario and many parts of the northeastern US enabled St Lawrence Cement - the Canadian arm of Swiss-based Holderbank Group - to post peak earnings in the first nine months. Net profit was C$50.1m or C$1.25 a share, up from C$30.2m, or 75 cents a year earlier on sales of C$500m against C$427m.

Cement consumption was up 24 per cent in Ontario and Quebec. and 8 per cent in the eastern US, the company said. Order backlogs remain strong. While housing starts are declining, industrial and public sector construction markets should hold up well into 1988.

Noranda strongly ahead

BY OUR MONTREAL CORRESPONDENT

NORANDA, the big Canadian resources and industrial group, *is feeling the benefits of higher* primary product prices, especially for pulp and paper. As a result, profits for the first nine months of 1987 have risen to C$221m or C$1.35 a share on revenues of C$5.4bn.

This strong performance compares with *C$52.9m or 16 cents a* share a year earlier, including a C$26.5m special gain, on sales of C$4.7bn.

Third-quarter profits of C$89.5m or 55 cents a share compared with C$4.7m a year earlier when nothing was available for the common stock after preferred dividends. Sales for the *quarter were C$1.9bn against* C$1.5bn.

Noranda said all its metals, forest products and industrial operations contributed to the improvement this year, except Canadian Hunter, its oil and gas subsidiary.

The company has reduced its debt burden by C$2bn over the past 18 months.

The outlook for the fourth quarter is good, the company said. The quarterly dividend is going up from 12½ cents a share to 20 cents.

Renouf drops Impala bid

BY OUR FINANCIAL STAFF

RENOUF Corporation of New Zealand has cancelled its *HK$18 a share offer for Impala* Pacific Corporation of Hong Kong. In a related development, Impala announced that, despite Renouf's decision, it would sell a 41.5 per cent stake in Goode Durant of the UK to Ariadne Australia.

Renouf's announcement triggered an angry reaction from Hong Kong's committee on takeovers and mergers. Mr Ray Astin, securities commissioner, said *it* was a violation of the colony's takeover code to announce publicly the withdrawal of an offer without first presenting an explanation of the decision to the takeover committee.

Mr Astin said Renouf had been notified of this prior to the withdrawal announcement but had decided to proceed with the announcement anyway. He said Renouf's legal and financial advisers had disassociated themselves *from their client's action* and had resigned.

Impala Pacific said that it had agreed to sell its interest in Goode Durrant for £48.5m. The sale is being made under an earlier agreement between Impala and Ariadne.

UK COMPANY NEWS

Ralph Atkins on the next stage of Bernard Matthews development

Three-pronged assault on the topside

"Simplicity makes money," says Mr Bernard Matthews, Britain's turkey king and international purveyor of high-technology meat products. "Complications do not."

The success of this business recipe is easy to see. His group has grown rapidly by selling basic products prepared using cost-effective methods and spiced with a distinctive brand name.

Measured in turkeys, the business has expanded from a dozen eggs in 1950 to about 8m birds this year. In more orthodox units, turnover has grown from £4.45m in 1971, when the group went public, to £136.59m in 1986. Pre-tax profits have risen, more or less continuously, from £877,000 to £15.07m in the same period. Analysts are forecasting profits of up to £17m this year.

Throughout the 1980s the group has looked beyond its Norfolk base and the British turkey market. It has developed new products including red meat, signed deals in North America and New Zealand and has stuck a big toe into the European meat markets.

Yet there is uncertainty as to what the future holds. Takeover rumours and speculation about the Matthews family's 40 per cent shareholding have become common place. But while the group would make a tasty acquisition for an international conglomerate, its strategy remains to try and make the leap itself into the top division.

Mr Matthews has reinforced the group to try and ensure long-term success. He has reared a strong management team while activities have been diversified. "It is a unique brand with a big market share and interesting technology," said Mr David Lang, analyst at Henderson Crosthwaite.

There is a bold emphasis on product development and a heavy programme of investment in advanced machinery, factories and computers. The engineering back-up is strong, while the marketing team has been kept slim.

But the group must adapt constantly if it is to prosper in the long term. "The momentum of the UK turkey product business is slowing," warns Mr Lang. "Although the prospects for white meat remain good, the next stage of the company's development will depend on expansion into other areas plus opportunities overseas - especially North America."

The Bernard Matthews story is one of entrepreneurship and innovation. The first dozen eggs, bought 37 years ago, triggered a hobby that within three years developed into a business.

Great Witchingham Hall, a run-down manor house dating from the 1590s and now the group's headquarters, was bought in 1955. Turkeys used to be hatched in the dining room, reared in the bedroom and slaughtered in the kitchens.

Mr Matthews, chairman, quickly realised the normal size whole bird is often too large for modern families - even at Christmas. Instead he bred smaller turkeys and began selling individual portions.

The first turkey roasts, made without bones and in convenient family-size units, were rolled by hand and tied with string. The high labour costs involved persuaded Mr Matthews that there had to be a more efficient method.

The machinery the group developed used "co-extrusion" to produce a 65ft tube of turkey meat wrapped in turkey and pork fat. It allows one man to produce 3¼ tons of roasts in an hour.

The effect on the group was to transform it from a one-product agricultural business into an advanced food processor. The technology has been patented in the US and around the world, not just for processing turkeys but for all meats.

The launch of turkey breast roasts in January 1980 was accompanied by Bernard Matthews' first advertisments on national television. It was not an easy decision for Mr Matthews.

The board of directors met on a Sunday to view a straightforward commercial featuring the chairman describing his product as simply "bootiful". Mr Matthews asked the directors to write their opinions anonymously on a piece of paper - he wanted no one to be influenced by what others were thinking. Overwhelmingly they said it was a winner.

Since then television advertising has been used toconsiderable effect. The latest commercials do not introduce the bubbling man with the strong Norfolk accent, butchers apron and carving knife and "bootiful" has been dropped from most scripts. Yet the group, and Mr Matthews, still has a brand recognition level on par with some of the biggest television spenders.

Bernard Matthews, chairman: "Simplicity makes money"

The group's growth strategy today has three-prongs. The first priority is to expand the product range in the UK. Secondly, it is trying to spread its market into Europe and, thirdly, it is seeking royalties from international deals for its technology.

Among existing products, sales of whole turkeys have stagnated at about 4½m. Growth has come instead from roasts - now made with pork, beef and lamb as well as turkey. Other products, launched in the 1980s, include crispy-crumb and gammon-style turkey steaks, sausages and grillsteaks.

Mr Matthews, whenever he is in Norfolk, makes a point of spending two hours in development kitchens. Ideas in the pipeline include "Beef Tendersteak", "Lamb Tenderchop" and "Pork Tenderchop". A new product using whole birds is promised soon and he does not rule out the possibility of a non-meat product in the future.

Not all launches are immediate successes, however. In 1985 the group bought Maryland Meals, a small Norfolk company, producing ready-prepared foods. Renamed Bernard Matthews Kitchens, it launched a range of heat and serve meals which have a shelf life of more than two years.

The company has still to make a profit, says Mr Matthews, but it only accounts for no more than 5 per cent of turnover. "If we got out of it tomorrow, we would not lose a lot of money because we did not put much in," he said.

In Europe, which accounted for 4 per cent of turnover in 1986, Bernard Matthews products are exported to Germany, Italy, Spain and Holland. It has not been an easy area to expand into; a truly common market in meat products does not yet exist, Bernard Matthews has found.

In France, a deal with Doux S.A arranged early last year. has provided Bernard Matthews with a supply of small whole chickens for small families. In return, Doux plans to marketing Bernard Matthews products in a country traditionally hostile to UK meat products.

Exporting to Europe has also posed the problem of selling a very British brand image. The solution tested in Germany, the most established European operation, has been to try portraying Mr Matthews as an eccentric Englishman who knows his food. "Meine Deutsch ist noch nich gut, aber mein putenschnitzel ist wunderful," he exclaims in one television commercial.

In other countries the pattern has been to arrange deals to use Bernard Matthews technology in exchange for marketing its products. With national regulations about meat products often tightly drawn, this approach has enabled the group to gain access to otherwise difficult markets.

In 1984, the group signed a deal with the New Zealand Meat Producers Board to supply lamb to Bernard Matthews factories in the UK. In return the board uses Bernard Matthews technology to make lamb roast for sale in all countries except Europe.

Two years later a deal, with H.J. Heinz Company of Canada gave the group access to the Canadian meat market. Unfortunately in September the group announced the arrangement had been nipped in the bud by a six month ban on British products containing pork after an outbreak of swine fever in Hampshire. Mr Matthews is adamant the effect on profits will be minimal but adds; "it certainly won't help them".

The biggest opportunity for growth is likely to come from a licensing deal with Sara Lee Corporation, the US food giant, announced in August. Sara Lee, is to pay royalties to Bernard Matthews to produce and sell its turkey, pork and beef roasts throughout the vast US market.

In spite of all these deals and developments, Mr Bernard Matthews remains a modest, shrewd man. At 57, with his hair beginning to grey, his television appearances betray a relaxed and experienced businessmen.

He is convinced the company could continue without him, saying he is now involved only in product development and making the advertisments. "They are not sacrosanct. Somebody else can make TV commercials," he says.

Yet the company has known no other leader. Perhaps its future entails a takeover by an established international operator. Or will it evolve into one itself? There is no simple answer to that.

Hopkinsons profits fall at midterm

Despite a setback in one area, which led to reduced profits for the half year ended July 31 1987, the Hopkinsons Holdings group continued to progress and is confident of growth in 1988 and beyond.

The group makes boiler mountings and valves. In the first half turnover fell to £37.45m (£37.9m) and pre-tax profit to £3.23m (£4.08m).

Bryan Donkin had to contend with a significantly reduced demand from the privatised UK gas industry which led to a greatly reduced profit contribution. There was some signs of improvement but the second half would also suffer, the directors stated.

Trading profit came to £2.44m (£3.5m) and interest and other income to £786,000 (£570,000). Earnings worked through at 3.79p (5.1p) and the interim dividend is 1p, payable on December 4, compared with the equivalent of 0.916p.

Other parts of the group were performing well. The US and Canadian comoanies were operating very satisfactorily.

J England cuts its losses in first half

J. England Group, produce supplier and convenience food merchant, cut losses from £230,159 to £32,903 in the half year to June 27, 1987. Turnover fell from £2.86m to £1.56m.

Losses were struck after an exceptional debit of £23,460 representing the costs associated with the acquisition programme.

The company said there had been some recovery in its principal subsidiary, J.E. England Foods. There was no tax and losses per 5p share were 0.55p (4.62p).

FT Share Service

The following securities have been added to the Share Information Service:

Butte Mining (Section : Mines-miscellaneous); Malco (Industrials); Parkway (Paper); Reed Executive (Industrials); Zetters Leisure (Leisure).

Travel incentive in Eurotunnel offering

BY STEVEN BUTLER

FULL DETAILS of a travel incentive scheme for small investors in Eurotunnel's £750m share issue are to be announced in the pathfinder prospectus due on Thursday, in advance of the full prospectus to be issued on November 16.

Eurotunnel officials said yesterday that details of the schemes had been drawn up over the past month, and were unrelated to the slump in the stock market.

Investors who put in more than a cut-off amount, believed to be £500, would be eligible for cut-rate London to Paris tickets, and would become members of a club through which other travel benefits might be offered.

In order to qualify for the benefits, investors would have to retain their investment until the planned opening of the tunnel in 1994.

Publication of the pathfinder prospectus will follow by one day the signing of a £5bn loan facility by 198 international banks. Arranging the facility are National Westminster, Credit Lyonnais, Midland, Banque Nationale de Paris, and Banque Indosuez.

Completion of the loan is conditional on the successful completion of the equity offering. Eurotunnel has expressed confidence that the issue will not be unduly affected by the recent turbulence in markets, since the shares are aimed at long-term investors who would reap their reward after the tunnel opens.

Marwan in concert over Storehouse demerger bid

BY NIKKI TAIT

DR ASHRAF Marwan, the Egyptian financier, is deemed to be acting in concert with Benlox, the small civil engineering and investment dealing company, over its "demerger" bid for retail giant, Storehouse, despite his surprise decision not to join the Benlox board.

The decision to treat Dr Marwan as "in concert" was announced late on Friday by Benlox's advisers, Ifincorp Earl, and follows discussions with the Takeover-Panel.

The confusion over the relationship between Dr Marwan and Benlox dates back to an announcement in late-August, which said that Dr Marwan had accepted an offer to become executive deputy chairman of the group, was raising his stake, and viewed Benlox "as his principal British-quoted investment".

Although Dr Marwan's formal appointment was never confirmed, his change of heart over any boardroom role did not come to light until the Benlox offer document was published two weeks ago. The financer did not appear on the list of directors and his dealings were not set out.

According to Ifincorp Earl, Dr Marwan currently holds 800,000 shares in Storehouse, equivalent to under 0.2 per cent, and - following purchases disclosed as an associate under rule 8 of the Takeover Code last week - 9.39m in Benlox, or 22.7 per cent. Storehouse, which this week publishes its defence document, says simply that it notes the Marwan announcement "with interest."

Major project deferment leads SI to heavier loss

DEFERMENT OF a major project by a dispense equipment customer was largely responsible for a downturn from £4.69m to £3.9m in turnover and a pretax loss of £267,000 compared with a loss of £45,000, incurred by SI Group in the half year to June 30.

The directors said that the group, which manufactures dispense and cooling equipment for the brewing and catering industries, had an order book some 35 per cent above last year and the overall position of the engineering company had improved. Endeavours to increase the range of the company's activities were continuing.

New Throgmorton asset rise

Net asset value of each capital share, with debenture and income shares at par, of New Throgmorton Trust (1983) stood at 348.66p at end-September 1987, against 162.11p a year earlier and 247p at the March 31 year end. Fully diluted it was 281.54p, 182p, and 206p respectively.

Net revenue before tax for the six months to September 30 amounted to £1.6m (£1.34m); expenses and interest totalled £338,000 (£294,000) while tax took £412,000 (£392,000) leaving earnings per share of 3.03p (2.48p). The interim dividend on the 25p income shares is 1.5p (1.25p) and the directors anticipate that the total for the year will not be less than the 4.6p paid for 1986-87.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Associated British Foods, Coloroll, Hunting Associated Industries, Schroder Money Funds, Swindon Private Hospital, TR Industrial and General Trust, Unit Group.

Finals- Burgess Group, Pict Petroleum.

FUTURE DATES

Interims-	
Apricot Computers	Nov 12
Beecham	Nov 19
British-Borneo Petroleum	
Syndicate	Nov 5
British Telecom	Nov 26
Cape Industries	Dec 1
Hanover Druce	Nov 5
Infrared Associates	Nov 10
Land Securities	Nov 11
MK Electric	Nov 18
Miller (Stanley)	Nov 5
Multitrust	Nov 5
Powell Duffryn	Nov 24
Station Investment Trust	Nov 9
Westbury	Nov 5
York Mount	Nov 3
Finals-	
BOC Group	Nov 12
Bibby (J.)	Nov 10
Capital Radio	Nov 19
Cosalt	Nov 24
Fleming Far East Inv Tst	Nov 5
Keystone Investments	Nov 5
Property Partnerships	Nov 20

MONTHLY AVERAGES OF STOCK INDICES

	October	September	August	July
Financial Times				
Government Securities	86.59	85.76	86.13	89.97
Fixed Interest	92.23	91.78	94.29	97.45
Ordinary	1,637.3	1,801.8	1,758.3	1,855.2
Gold Mines	408.0	450.4	440.9	420.2
SEAQ Bargains (5p.m.)	52,039	36,246	41,270	53,501
F.T.—Actuaries				
Industrial Group	1,098.28	1,200.55	1,173.47	1,229.53
500 Share	1,175.47	1,288.30	1,265.96	1,327.37
Financial Group	784.63	842.64	804.72	853.00
All-Share	1,074.51	1,174.38	1,147.72	1,200.11
FT-SE 100	2,196.7	2,300.8	2,256.3	2,366.7

	Oct. High	Oct. Low
Ordinary	1,873.7(5th)	1,288.5(28th)
All-Share	1,222.12(5th)	847.91(28th)
FT-SE 100	2,385.8(5th)	1,658.4(28th)

FINANCIAL TIMES STOCK INDICES

	Oct. 30	Oct. 29	Oct. 28	Oct. 27	Oct. 26	Oct. 23	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.87	90.14	90.14	88.92	89.68	87.50	93.32	84.49	127.4	49.18
Fixed Interest	93.76	93.68	93.69	93.19	93.42	91.96	99.12	90.23	150.4	50.53
Ordinary	1360.9	1303.4	1288.5	1322.0	1307.1	1369.8	1926.1	1288.5	1926.2	49.4
Gold Mines	312.1	309.9	323.8	330.2	350.5	386.4	497.5	288.2	734.7	43.5
FT-Act All Share	887.33	856.05	847.91	871.35	863.73	930.332	1238.57	835.48	1238.57	61.92
FT-SE 100	1749.8	1682.0	1658.4	1703.3	1684.1	1795.2	2443.4	1658.4	2443.4	986.9

Decentralisation

Forced to perform on a wider stage

Peter Montagnon explains the strategy of the UK specialist chemicals group, which operates in highly diffuse markets

target europe

Brent Chemicals

SUPERFICIALLY, Brent Chemicals International of Iver, Buckinghamshire, is typical of the medium-sized British industrial company that has outgrown its home market and is looking to expand internationally.

In fact, it is in many ways an exception. For the important thing about Brent is that its name is essentially a misnomer. Brent is not really just a chemicals company, but one whose activity reaches deep into the heart of the services sector.

Its business involves selling the application of chemical technology and know-how in a range of sectors from aircraft maintenance to the packaging of consumer goods.

Not, for Brent, the aching questions of whether to expand in Europe or the US, and whether its home market is really Britain or the broader, unified European market promised by Brussels for 1992 - and, in consequence, where it should locate production facilities in a multilingual, multi-cultural marketplace stretching from Orkney to Faro.

In practice much of the debate about the internal market that has raged in the European Commission for the past two years has passed it by - a disappointingly negative conclusion, possibly, but an important one for all that.

Brent, with group sales of £59m last year, is a good example of the new kind of business on which it is fashionable to think that future European prosperity depends.

It is a smallish company, operating in highly profitable niches with a high service content to its business. The development of a real "home market" within Europe ought in theory to help it build economies of scale, and thereby international competitiveness.

If that is not the case, then perhaps the debate in Brussels is lacking in dimension. Or maybe it is simply the case that the business of specialised service industries is a global one which transcends the kind of regional trading bloc which the EC is now trying to build.

Certainly that is an argument that would appeal to Steven Cuthbert, Brent's chief executive. "It's amazing to me that a company of our size has to operate in the global marketplace," he says. That means paying attention to Europe, obviously, but it also means building up balance in other parts of the world as well.

Last year around half Brent's turnover was derived from the UK, around a third from Continental Europe and about 16 per cent from North America. For the medium term Brent is aiming to generate 30 per cent of its sales from each of the UK, Europe and North America, leaving 10 per cent to come from the rest of the world.

The implication is that sales in both the US and Europe will have to grow faster than those in the UK.

Organic growth

Cuthbert believes that growth in the US will tend to be organic. Particularly important here are Brent's involvement in printed circuit board manufacture - last year it bought J&S Laboratories, which markets a range of chemicals for this process - and its aerospace business. This goes under the name Ardrox and is concerned with interior and exterior cleaning of aircraft as well as non-destructive testing for metal fatigue.

In Europe, by contrast, where Brent is now trying to develop its packaging products - mainly dyes, inks, coatings and flexible printing plates - the effort will have to be much more concerted.

It started, in 1986, with Brent buying Joachim Dyes Lackfabrik of Hanover, which markets water-based high-gloss lacquer coatings for packaging. This was followed by the purchase of the packaging inks division of Blancomme SA, with operations in Paris and Grenoble which is now known as Blancomme Brent.

The amounts of money spent on these purchases are not particularly large - Joachim Dyes cost only £3.6m and Blacomme the equivalent of just £2.3m - but, according to Cuthbert, they represent "really the beginning" of a carefully considered strategy of acquisition.

At the heart of Brent's commercial philosophy are two related notions. The first is that the nature of its business requires it to control the technology which it sells. The second, which also applies to another major business area, metal-finishing products for the automotive industry, is that the product it is marketing is essentially the know-how and application of this technology.

It follows from this that the company must follow the technology. Cuthbert believes that "with respect to Rolls Royce, SNECMA of France and British Aerospace" the US still has the leading edge in aircraft technology as well as printed circuit boards. Brent must therefore have a strong presence in the US. But Europe, and particularly the UK and Germany, has the leading edge in packaging. Hence the need for this side of the business to develop in Europe.

It also follows that a key ingredient in the business is the availability of high-calibre technical sales and service teams on the ground.

That means that Brent has a natural inclination to expand through acquisition. By buying new companies it is not only acquiring technology, but also what Cuthbert calls "a team in place."

To build that team from scratch as Brent is now having to do in parts of Europe for its printed circuit board business for want of a suitable acquisition, is "a painful, laborious and risky thing to do."

Back in the early 1980s, Brent suffered a disastrous sally into the US when it bought a business involved in dry cleaning chemicals. "We bought a business for what we thought we could make it into rather than for what it was," says Cuthbert. Brent now claims to have learned its lesson from this experience. Its future acquisitions should be a lot more enduring.

Besides, a lot of what Brent does is people-related. To sell services in any one country you need local experience and native speakers of that country's language; almost all of Brent's top managers in Europe are local executives. Buying a business means buying a team. "We have to make sure that team is not going to leave," says Cuthbert.

Decentralisation is thus a cornerstone of this approach. It is the subsidiaries in the field which both research and manufacture, not the central organisation.

Manufacturing accounts for only 5 per cent of its total costs and the raw materials it needs are readily available everywhere so plant location does not enter much into its strategic thinking. But there is a considerable amount of cross-fertilisation, controlled from the centre which also keeps a tight rein on the financial side.

All this means that many of the mainstream issues of the internal European market turn out to be tangential at best as far as Brent is concerned.

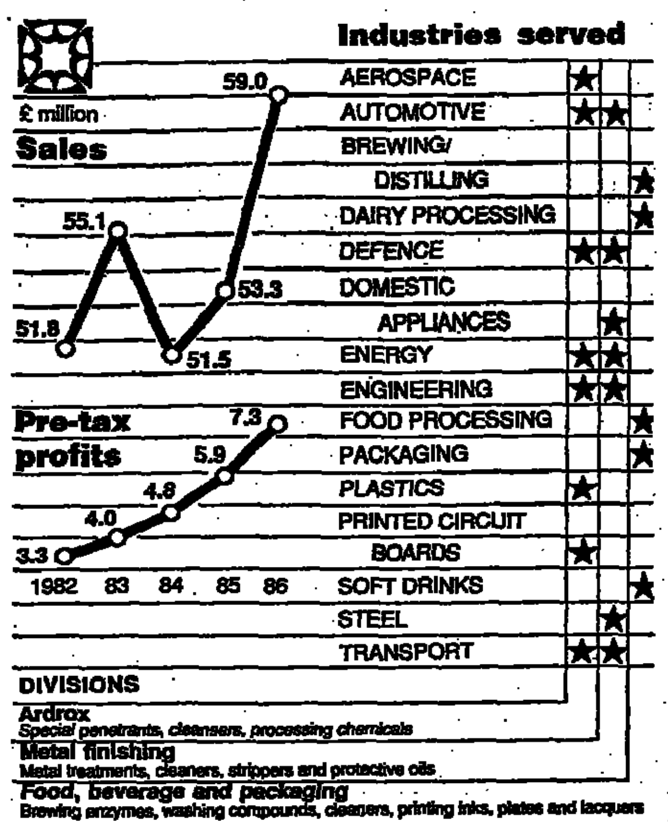
Theoretically, it should be worried by the need to comply with different labour legislation, accounting standards, health and safety regulations and environmental controls in various European countries. Theoretically, it ought to be worried about the linguistic abilities of its top management. But, largely because its line management is local, these are hardly serious worries.

In any case European regulations are not necessarily the toughest in the world. Cuthbert notes that it required 86 separate permits to establish a simple blending plant in California because of local environment laws.

A far greater problem lies in finding suitable companies to acquire, particularly in Germany where the aircraft maintenance industry is highly fragmented. "The difficulty in Europe is approaching people and getting doors opened. We do that through a small number of banks with which we have working relations," Cuthbert says.

For this company at least the unified European market is more a state of mind than a question of bureacratic diktat. The point for Brent is that its future depends on its willingness to think international and to force open the doors. As Denis Wilby, chairman of the Ardrox division, puts it: "In the end you're trying to change people and their attitudes."

Previous articles in this series were published on October 14, 21 and 28.



The deep ambiguity about what chairmen should do

Terry Dodsworth assesses a report on boardroom power

THERE IS hardly any institution in the Western industrialised world which is at once so powerful and so unfathomable as the board of a joint stock company.

It is here, at the highest level of the corporation, that representatives of shareholders ensure that the company is run in the best interests of investors. Yet the board, as recent events have shown in the UK, can sometimes be woefully ignorant of what is done in its name.

The questions raised by the periodic boardroom scandals relate in the main to potential conflicts of interest. Can directors who are also executives be trusted to defend shareholders? Are outside directors sufficiently independent or are they generally cronies of the chairman?

Do boards become self-perpetuating oligarchies, the chairman effectively choosing the directors and the directors the next chairman, in one endless round of musical chairs? How can the board genuinely monitor a really strong chairman? And are there, indeed, enough checks in the British system on the office of the chairman?

A new study of the chairman's position conducted by the UK arm of Heidrick & Struggles, the executive search consultancy, shows a remarkable lack of consensus on the subject.

Indeed, its first two findings underscore the strangely undefined structure in which chairmen operate in Britain. The role, responsibilities and duties of chairmen, it says, have not been set out clearly, and "there are as many ways of being a chairman as there are chairmen themselves."

It is difficult to believe that the list of 11 different points that follow these observations will give much satisfaction to anyone concerned about boardroom efficiency.

The selection procedure for chairmen, the report suggests, is not a particularly open one. Companies rarely have an established method for picking their chairmen, and they generally come either from within the present board or are chosen by the current chairman. Nor is there any agreement on the balance of non-executive to executive directors; it is "very difficult" to involve non-executives in the decision-making process, except at a late stage and fairly superficially.

Most of all, it is hard for the non-executives to exercise much control over a strong chairman, executive or otherwise - which means, in fact, that there is no-one at all to keep such an individual in check under normal circumstances. Part of this problem arises from the deep ambiguity which exists in business about what a chairman should do.

A number of different terms are used to describe chairmen, and they are often seen as non-executive, non-partisan referees who guide the board to collective policy decisions.

But the report makes no bones about the fact that virtually all chairmen, whether executive or otherwise, "run" their business in practice. It goes on to state that non-executive directors usually combine with the chairman to form a natural group within the board with common interests, and adds that it is not easy for them to criticise him.

Challenge

"There appear to be few ways in which directors - executive and non-executive - can challenge a strong chairman, at an early stage, on fundamental issues," it says.

These observations have plenty of facts to back them up. They are based on statements made by chairmen themselves in a poll on how they see their activities. Their remarks show very effectively how contradictory their attitudes can be.

One of them, for example, says: "I am very much the driving force and the manager." Yet another argues that "My job is to be responsible for the board."

Again, one chairman says that 65 per cent of large companies combine the office of chairman and chief executive, and that "you must have the two roles together if the leader of the company is to be the source of inspiration and vitality." One of his peers disagrees totally: "Chairman and chief executive roles should not be combined. The chairman needs to be detached; a chief executive can be running the business into the ground."

The justification for a system of directing companies which allows such a wide variety of approaches is that it creates the space for an individual with flair to flourish. It does not squeeze chairmen into an undifferentiated mould. It allows them to choose an appropriate approach for operating in their particular company.

But it also raises a number of critical issues. As Heidrick & Struggles points out, chairmen exert enormous influence and power and are a significant element in the successes and failures of British industry. Indeed, the report argues that while over-radical change might be dangerous, there is ample scope for improvement, mainly through codification of a chairman's duties.

"Chairmanship in Britain needs to be brought up to the standard of the most successful companies which have a well structured boardroom practice, rather than left as a haphazard business, with no rules and consistency," it says.

The report advocates action in four areas. First, it says there is a clear need for a more formal definition of the chairman's role and his relations with other directors and executives.

Second, it advocates tightened procedures for selecting chairmen, using some of the disciplines that would be applied to other officers, such as, say, a finance director.

Third, it suggests that there is a case for better statutory definition of the duties of boards and of the specific obligations of non-executive directors. It seems to be pointing here in the direction of American practice, where non-executive directors play a leading role on committees which monitor the company's remuneration and audit policies.

Fourth, non-executive directors ought to be appointed in a way which would prevent chairmen from exercising undue influence. Other officers of the company should be involved in their appointment, and there ought to be an automatic process under which they retire after a spell of duty. This, it says, might do much to overcome the "club" tendency.

Finally, on the issue of impropriety, it reports that chairmen in general are against statutory codes, arguing that boards themselves should put their own house in order.

But, it asks, pertinently, "how is this to be achieved?" Perusing the report, it is not hard to reach the conclusion that, if left to themselves, British boards may do very little to tackle the issue with any sense of urgency.

FINANCIAL TIMES SURVEY

Tunisia

President Bourguiba: a question of credibility

The next few years are crucial if Tunisia is to restore the economy and put right the damage caused by wasteful spending. Ministers need to steer through necessary, if painful, policies so that the business community can regain confidence. **Francis Ghiles** reports

Fresh hands to the tiller

SINCE IT became independent from France 30 years ago, Tunisia has been among the Arab world's most stable countries and one of the few where the army has not played a major role in asserting stability. It has helped contain Libya's expansion and been a staunch ally of France and the United States.

North Africa's smallest country was also regarded until recently by major lending institutions and western governments as a model of Third World economic development. Sadly, recent developments have raised some question marks over the future of what had been generally regarded as an island of tranquillity in the turbulent Arab world.

Last August the increasingly violent confrontation between the authorities and Islamic militants reached a new pitch of intensity when four bombs exploded in hotels in Monastir, the President's birthplace and his summer home and in Sousse, a nearby town from where many of Tunisia's leaders hail.

The mass trial which followed the crackdown on militants ended with two Tunisians being sentenced to death to hang and the leader of the largest and oldest fundamentalist political movement, the Islamic Tendency, Mr Rashid Al Ghannoushi, being sentenced to hard labour for life.

Islamic Tendency leaders disclaim responsibility for this summer's events, which the shadowy radical group, Islamic Jihad, says is all its own doing. Faced with the very fissiparous nature of other extremist factions, the task of the police in trying to establish responsibility has been a difficult one.

For Mr Habib Bourguiba, the 87-year-old autocratic Head of State who has held absolute power since independence and as far back as 1934 founded the Neo-Destour Party - which to this day rules alone in Tunis - to fight French colonial rule, the gauntlet thrown down by the Islamic Militants is deeply insulting.

Twenty-seven years ago, during the month of Ramadan the Head of State drank fruit juice in public, thus openly defying one of the commandments of prophet Mohammed which enjoins all true Moslems to fast, from dawn to dusk one month every year.

Mr Bourguiba backed his bold gesture with the argument that in order to develop the economy of Tunisia, a modern "jihad" was necessary. Jihad for him does not simply imply the fight to expand Islam and hence Holy War against the Infidels it also means, more importantly, each individual's fight against his own worst instincts, in this instance laziness and lack of education.

But the President, whose dominance of Tunisian politics and charisma had been then unchallenged, failed to carry the day when he challenged conventional Islamic tenets. Since 1957 he has done more, arguably, to secularise Tunisian society and emancipate women than any other modern Arab leader.

It cannot be assumed any longer that the Tunisian armed forces will forever remain outside politics. For most of his political life Mr. Bourguiba has cautioned against allowing them near the centre of power. Last October, however, he appointed General Zine El Abidine Ben Ali - his name signifies "the shining beauty of those who adore God" - to the post of Prime Minister.

His increasing signs of an authoritarian approach have been visible since the bread riots of January 1984. But the dismissal last month from his post of Director of the Ruling Socialist Destour Party (PSD), of Mr. Mahjoub Ben Ali and the appointment in his place of Dr. Karoui has given comfort to liberals who do not believe that force always provides the best answer.

Rekindling a dialogue with the moderate opposition such as the Social Democrat Party and the League of Human Rights, is essential. The new head of the party appears to agree with the prime minister that brutal repression would be very short-sighted.

Mr Zine El Abidine Ben Ali who is credited with the decisiveness and sense of authority which has been tested on the two occasions when he was called upon to restore internal security (after the riots of January 1978 and the bread riots of 1984) and more recently during last summer's crackdown will have to grasp the difficult nettle of economic reform.

A painful but necessary programme of austerity was launched 15 months ago. It involves job losses, price rises and a general decline in living standards. State companies which for three decades acted as welfare nannies while the private sector grew rich quickly, on a diet of import substitution and without shouldering much of the country's social costs,are having to meet the consequences of the decline in the price of oil.

The Government is now counting the cost and has to pay for the large wage increases granted in the early 1980s which were not matched by productivity gains, the many prestigious and capital intensive projects and the benign neglect which, until recently, prevailed in the management of much of the farming sector.

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The four year tenure of Mr. Ismail Khelil, recently appointed Governor of the central bank, at the Ministry of Planning, has ensured much needed stability at a time when two prime ministers, Mr. Mohammed M'Zali and Mr. Rashid Sfar, have been dismissed over a 15-month period. In the meantime the head of state has divorced his second and powerful wife, Madame Wassila Ben Amar, while a major campaign against corruption among state managers and private entrepreneurs has claimed many victims.

Mr Khelil had been convinced of the need for a radical rethink well before the then prime minister, Mr M'Zali who was always prone to demagoguery where economic affairs were concerned. With the help of the Central Bank and the World Bank, the minister of planning set about the task of preparing studies of certain sectors which he felt were ripe for reform. When in June 1986 Tunisia ran out of foreign exchange he was ready and able to negotiate in record time loans from the International Monetary Fund (IMF) and the World Bank.

The austerity plan was strongly supported by Tunisia's western friends. Plentiful rain and a devalued Dinar have enabled Tunisia to meet all the targets agreed a year ago with the IMF.

The next few years however will be crucial, and the new prime minister will need all the support he can muster from the stronger team of ministers in the economic field to push through and implement policies which will inevitably be painful. The tax amnesty recently granted to businessmen should help rebuild confidence. Such confidence however will not be strengthened if members of an ever-changing Government spend their time "placing themselves for a leadership succession" which they have been anxiously awaiting these past 15 years.

The need for more dialogue, for younger faces in the Cabinet, in other words for an end to the absolute monopoly of power of the old PSD guard has never been more keenly felt. There is growing cynicism amongst ordinary Tunisians about calls for belt tightening from the PSD daily L'Action.

Unemployment is growing and as people watch the daily repeats of President Bourguiba's speeches of yesteryear on television, some may be tempted to interrupt the routine as they so rudely did in January 1984.

The public knows that President Bourguiba's favoured projects, such as the extension to Mahdia of the costly Monastir to Sousse metro, which carries virtually no passengers, will continue regardless. In Tunis they no longer bother to turn up in any numbers when the Head of State lays yet another first stone.

There seems to be less tolerance about the idiosyncracies of an ageing leader, despite the respect many Tunisians have for what he has contributed to his country in the past. Until the bread riots most Tunisians especially those who held jobs in the cities appeared to believe the idyllic portrait of their country which is still to be found in the tourist brochures.

The half of the country which lives outside the towns toiled away aware that its condition was not the major pre-occupation of the PSD.

The middle class which traditionally constituted the backbone of the ruling party, were rudely awakened in 1984 and this summer's disturbances have further alarmed them. The Radical Islamic Groups do not present today a real threat to the regime. They have little influence, let alone real power in education, the police, and the civil service. They are symbolic of widespread political frustration.

The ruling party lacks any credibility. As living standards decline and unemployment grows the favours which the President continues to bestow upon his home town are no longer simply a matter for polite smiles.

Other regions and towns often have to contribute to such grandiose schemes while they lack basic amenities. The South in particular remains poor, beholden to Tunisia's fluctuating relations with Libya for jobs. Elsewhere,the mood is sullen, if not downright angry.

On the external front, relations with Algeria remain good while those with Libya are slowly improving. France and the United States, Tunisia's closest allies, meanwhile watch helplessly as they hope the Head of State does not indulge in yet another erratic mood.

Were the President to relinquish power his constitutional heir, the Prime Minister, would automatically succeed. But the country's political institutions, and the ruling party may find the task of adapting to the inevitable pressure for more democracy and freedom of expression, very difficult.

Insensitive political leadership makes the task of Mr. Zine El Abidine Ben Ali all the more arduous. In the months to come he will need to call on all his skill and conviction.

Liberalising the economy faces bureaucratic resistance

Crucial challenge ahead

FOR NEARLY 30 years after Tunisia shook off the yoke of French colonial rule President Habib Bourguiba presided over what major lending institutions and western governments came to regard as a model of third world economic development. This much-vaunted model however came under severe strain in the mid-1980s as the current account deficit and unemployment increased and the value of oil exports declined.

Indeed although the name of Tunisia is not usually associated with that of an oil rich country, the average 100,000 barrels a day it has produced since 1974 played a key role in maintaining the country's steady rate of economic growth, being its major hard currency earner until last year.

The high oil price initially stimulated the economy but also led particularly in 1981-83 to large wage increases not matched by productivity gains. Wage increases boosted imports of consumer goods and food, which in turn led to a growing current account deficit.

Nor were matters improved when prestige and often capital-intensive projects such as car assembly plants won the favour of planners in the 1982-86 Economic Development Plan, in preference to smaller, labour intensive projects particularly in the relatively neglected farming sector.

The low prices offered to farmers only encouraged the drift of unemployed, ill-trained country folk to the slums around the major cities, in particular Tunis which now boasts about one third of the country's 7.5m people.

Two years ago the World Bank delivered a short and pithy report which recommended a major liberalisation of the economy. The then Prime Minister, Mr Mohamed M'Zali, always rather prone to demagoguery where economic affairs were concerned, was *not* amused.

His Minister of Planning, the self-effacing but astute Mr Ismail Khelil knew better. He had been convinced of the need for a radical rethink for some time and had already set to task with the help of the central bank, and indeed the World Bank, in preparing studies of certain sectors of the economy which he felt were ripe for reform. Convincing the head of state proved delicate but President Bourguiba eventually gave his blessing.

A severe austerity plan was announced in June 1986, after the hard currency reserves at the central bank had declined to zero. A standby loan from the IMF, accompanied by two World Bank loans to help restructure industry and farming, were negotiated in record time and signed last autumn.

To date Tunisia has been able to meet all the targets set out in this agreement. The current account deficit for the first six months of 1987 was slightly above half the projected figure for the year, the budget deficit is expected to decline to 4 per cent of Gross Domestic Product as against 5.3 per cent last year.

The growth in money supply is running ahead of target but inflation, expected to reach 8 per cent, does not give rise for concern. Meanwhile the rate of growth of GDP could be as high as 5 per cent, against initial projections of 4.4 per cent.

The gods have been bountiful. A good cereal crop, an excellent tourist season, a sharp increase in remittances from Tunisian ex-patriate workers (the latter two encouraged by a 47.6 per cent devaluation of the Dinar against the French franc between August 1986 and August 1987), higher export revemues from clothing and fish, thanks to the liberalisation of trade, all these factors have helped cut the trade deficit by nearly one third during the first six months of the year to TD 318.3m compared with the same period in 1986.

Mr Rashid Sfar, who was Prime Minister from July 1986 to October 1987, was a late convert to the need for reforms and his hectoring speeches did not reassure the business community, already traumatised by the campaign against corruption waged throughout last year. The initial response of entrepreneurs to the appointment of Mr Zine el Abidine ben Ali has been favourable. The tax amnesty announced late last month should further buttress confidence.

In some respects the Tunisian Government has imposed tougher conditions upon itself than the IMF would have done. It has fought very shy of increasing short-term borrowing, it devalued its currency by a greater percentage and it held wages down more tightly, only allowing a 10 per cent increase in the basic wage in 1986, and a further five per cent on November 1.

Success so far has been buttressed by the considerable support Tunisia's friends abroad have lent North Africa's smallest country. Loans and aid have been forthcoming from Italy, France, West Germany and the US. These sums have avoided a rescheduling of Tunisia's $5.5bn foreign debt which this year will cost US$900m to service.

Austerity however has a price. Caught between the rising cost of money, the much-vaunted liberalisation of interest rates last January having all but failed, and the very sharp fall in domestic demand in many sectors, not least the crucial building industry (around 70 per cent for lorries and cars and between 30 and 50 per cent for white goods) many Tunisian entrepreneurs are unable to service their domestic loans. They will now be able to refinance them.

Some sectors have scored well in export markets, notably fish, dates, clothes and cement (up fourfold for the latter). But success there cannot make up for the damage being wrought elsewhere.

The never-opened General Motors car and truck assembly plant at Kairovan is thus brain dead". Renault has closed its assembly plant at Mateur. Volkswagen will not be coming, while the former Mercedes-built factory in Bizerta stands empty. The old-established Societe Tunisienne d'Industries Automobiles (STIA) was forced to close its assembly plant in Sousse for four months this year and three months last year, but had to pay the workers 80 per cent of their salaries during those periods.

Re-establishing confidence among potential investors is today proving a slow and painful business

The policy of assembling cars and trucks with certain parts built in Tunisia behind 100 per cent tariff barriers has thus proved to be the folly any Algerian manager, wrestling with the same kind of policy, initiated on a grander scale one decade earlier could have warned his Tunisian counterpart about.

Even assembling much-needed tractors at the Kloeckner built factory is proving prohibitively expensive as the Deutschmark has soared and the dinar declined. That many Tunisians could have seriously believed they had a chance of exporting such vehicles remains an indictment of the industrial strategy of the last Economic Development Plan.

Younger Tunisian managers and industrialists have proved far more willing to wrestle with the challenge of exporting than much of the older generation, fed on a steady diet of import substitution. Some older established companies however, such as Poulina, which is involved in food processing, light metallurgy and detergents, can face the future with a degree of confidence.

It has for instance just signed a contract to produce foie gras for the French company Delpeyrat. To be owned and managed by someone from the old industrial and manufacturing town of Sfax does, of course, help.

Restructuring the state-owned companies which employ 10 per cent of the labour force, pay out 20 per cent of all wages and account for 60 per cent of industrial output is going to be a painful and long-drawn-out affair. Too often the myriad companies in the state sector have acted as welfare nannies, recruiting unnecessary staff for reasons of personal or political favour while the private sector grew rich quickly without shouldering much of the social cost.

Liberalisation will also encounter the resistance of a bureaucracy where a large element of employment and personal prestige is built around regulation of the economy. State regulations make officials feel important but do little to encourage exports and open up windows on the world.

A high price is already being paid in terms of employment although the exact situation is difficult to measure as the black economy may account for as much of one quarter of GDP, and many unrecorded jobs. Productivity gains are however essential to the longer-term success of the reforms.

That means a further decline in real purchasing power for those who hold regular jobs, people who already enjoy a considerable privilege in a country where a good fifth of the adult population is unemployed or severely underemployed and where many people exist on one dinar a day.

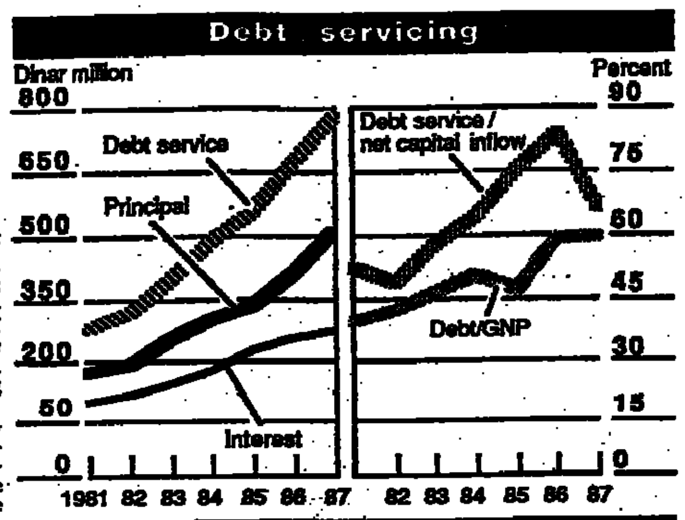
It also means a radical reform of the rules which govern labour relations, in particular the introduction of penalty clauses. It remains extremely difficult today to sack workers, despite the weakened position of the Union Generale des Travailleurs de Tunisie, let alone a civil servant.

Such policies carry a social and political risk which the Government is aware of. Hence a more serene political climate is an essential prerequisite, especially if entrepreneurs are being asked to make a major effort to invest. The state will only be investing TD 10.4bn over the next five years, less in real terms than during the last Plan.

The fight against corruption launched last year by the head of state at the prompting of his then Prime Minister claimed many victims, not all of whom were guilty. It led to the closing of a thriving Tunisian international engineering firm, Sotuhetec, whose founder, Mr Moncef Traia, was wrongly accused of corruption. Re-establishing confidence among potential investors is today proving a painfully slow business.

What has been achieved in the course of the past 16 months is proof enough that bold policies have paid off, not least thanks to the quality of the very senior echelons of the civil service. The challenge of the next five years is of an altogether taller order. How it is met by the new Prime Minister and whom he chooses to include in his economic team will have a crucial impact on Tunisia's economic future.

Francis Ghiles



Basic statistics

	1984	1985	1986	1987*
	Dinars (m)			
Gross Domestic Product[A]	4,115	4,348	4,278	4,512
Current account	−680	−491	−560	−300
Trade balance	−1,112	−844	−899	−780
Drawn foreign debt[1]	3,150	3,180	4,150	4,510
Debt service (%)[2]	19,5	21,6	27,9	25,6
Foreign currency reserves	295	201	57	157
Capital inflows				
Investment	160	116	123	80
Aid	22	30	32	30
Medium-term loans	255	210	165	290
IMF	—	—	150	45
World Bank	66	88	135	215

(A) At 1981 prices.
(1) Short-term debt estimated at TD300m excluded.
(2) As a percentage of exports of goods and services, inclusive of short-term debt service.
Reserves
*Projections based on eight-month figures.
Source: Tunisian Ministry of Planning.

Foreign Investment and Banking

Climate is more beneficial

TUNISIA'S SEVENTH five-year plan, published in July 1987, enshrines what has become the hallmark of government investment planning - development of the country's productive base to boost employment, exports, and foreign reserves, assure food supplies for domestic and export requirements, and decrease the level of public involvement in the less productive parastatal industries.

The Government expects the banking sector to provide 26.5 per cent, TD2bn, of the 7th plan's investment target of TD 10.4bn. Foreign investment will be an important supplement to this. While cautious, Tunisian bankers tend to feel the growth rates set in the seventh plan are not unrealistic, and point to the seven month figures for this year, showing 73 per cent import coverage.

Rationalisation of bureaucratic and administrative procedures, and the easing of pre-reform Central Bank controls is now sought. Although interest rates were banded last October in an effort to produce greater inter-bank competitiveness, the Central Bank still sets charges and ratios.

Tunisian bankers would like to see a relaxation of Central Bank restrictions together with new capital market instruments, particularly investment bonds, to increase the level of domestic capitalisation. One local bank had great success with an issue of zero coupon bonds two years ago, and this is felt especially effective for the development banks with their huge capital bases. The management and cost effectiveness of commercial banks is also under scrutiny, with a view to extending their products and services.

Considerable time lags still exist, in some cases up to two years, between investment decisions and initial disbursements, largely through bureaucratic inertia and the approval formalities of the Agence de Promotion des Investissements (API). While API approval is no longer necessary for certain investment projects, without it those projects lose many of the fiscal incentives API backing confers.

Ismail Khelil, new head of the central bank: bankers hope for relaxation of restrictions

A new investment law now under consideration promises to speed disbursement, though unifying the system of incentives, export credits and tax benefits is also needed. API and CEPEX (Centre de Promotion des Exportations) plan to open an office in London later this year to attract British investment.

The development banks, all but one of which have Arab partners, tap a variety of capital sources. Tunisia's multilateral loans are divided among them on a pro rata basis according to their proposed lending and capital needs. Some banks also raise overseas commercial capital.

While development bank lending policies are self-described as "broad", industry rather views them as overlycautious. The banks follow government priorities in overall disbursements, with some sectoral specialisation, reflecting as well the interests of the development banks' Arab partners: Saudi Arabia in agriculture, Kuwait in phosphates and tourism.

The government's plan to restructure parastatal industries, which provide 60 per cent of industrial activity and 20 per cent of employment, will require banking sector involvement. These industries suffer a range of problems, from undercapitalisation to poor management. Acquiring private investors won't prove an easy task. Development banks see a role in providing management expertise and restructuring before privatisation.

Commercial banks envisage a similar role. They argue that the low-risk preference of foreign investors inhibits participation in parastatals facing a tough transition to theprivate sector. They feel there is adequate domestic funding available to create all-Tunisian partnerships in many parastatals.

However, with an 8 per cent downturn in investment as a by product of the Government's tight fiscal regime, and weak domestic demand, arousing private sector interest in parastatals may prove difficult. As with the investment banking sector, commercial banks feel that financial decision making needs to be streamlined and freer.

The overseas banking sector had not performed as hoped when legislation was first passed in 1976. Its growth was hampered by the simultaneous development of offshore banking in Bahrain, advantageously sited in terms of time zones and the heartland of the Organisation of Arabian Petroleum Exporting Countries (Oapec). Lack of promotional effort, and the withdrawal of some banks because operating conditions were unfavourable, also delayed expansion.

Citibank, has maintained a successful offshore presence for more than ten years, and is now considering moving onshore to take advantage of new investment incentives. One Islamic bank now trades offshore, Beit Ettamouil Saoudi Tunisie (BEST Bank), part of the Al Baraka group. The bank, which has established an Islamic reinsurance arm, has seen substantial growth in the past two years.

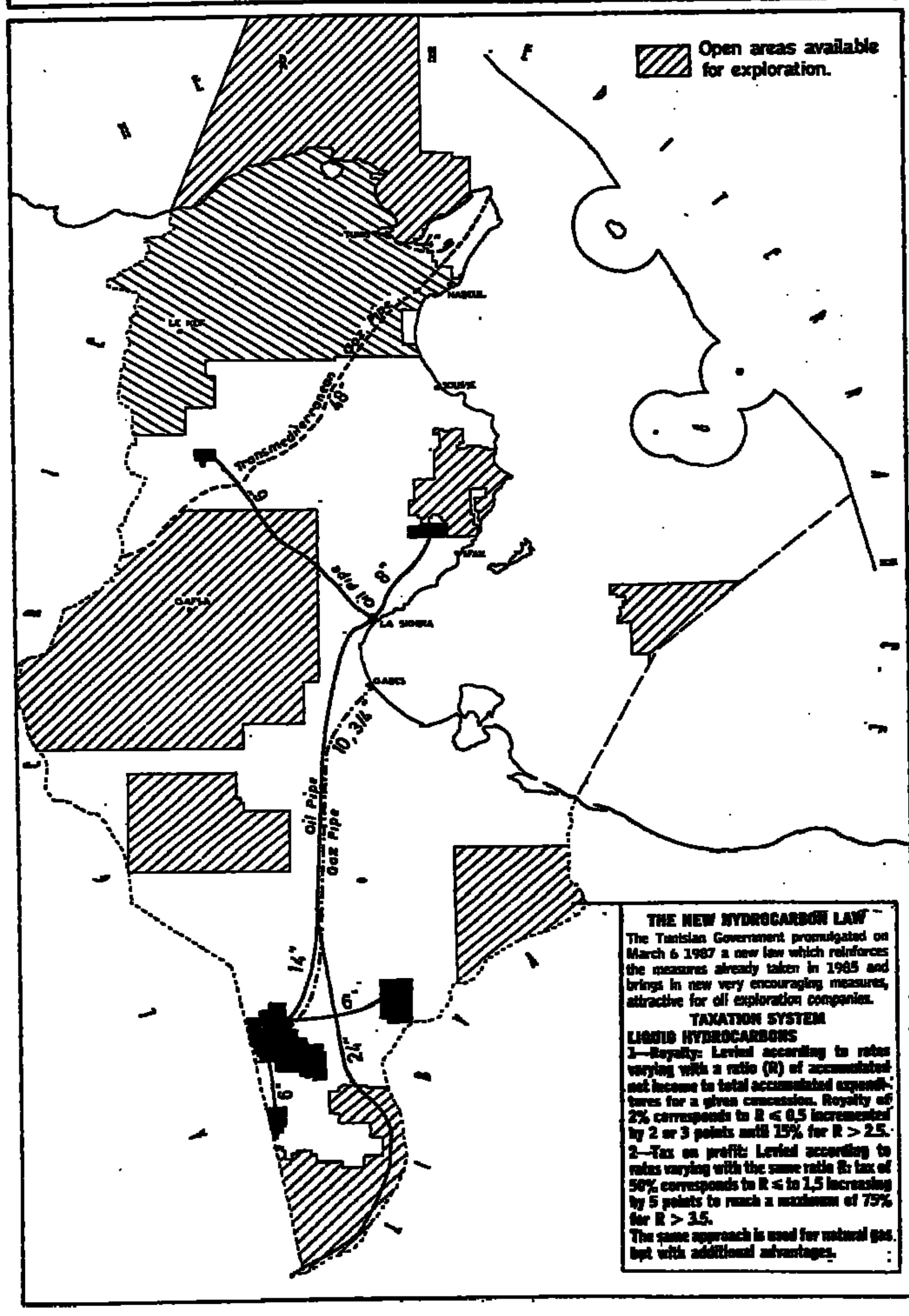
Tunisia has continued to receive substantial grant, aid and credit lines from Europe. UN figures for the 1986 reflect the rapid rise in Italian investment, almost $6m above France's $22.2m. The US provides $21m. The EC recently granted 224m ECU for agricultural development and export support, and this past month Tunisia and Roumania signed an economic cooperation accord which will be worth $50m by 1990.

The Central Bank keeps a close eye on the economic impact of its liberalisation policies. There is concern at rising inflation levels as an offshot of its devaluation policy (22.5 per cent trade weighted since 1986). The inflation rate for the first seven months of 1987 was 7.3 per cent compared with the 1986 seven month figure of 5.9 per cent. In July 1987 the consumer price index reached 8.5 per cent compared with 4.1 per cent the previous year.

Real interests rates, at 8.5 per cent are unlikely to diminish unless the inflationary pressure now present in the economy is brought under control. The Central Bank has urged strict lending control by banks.

The Central Bank believes that many problems of policy execution with regard to export credits and investment will improve in time, as changes filter through the system. Some commerical banks still prefer extending 17 per cent overdrafts to exporters than negotiating Central Bank export credit guarantee schemes.

Joan Wucher King



THE NEW HYDROCARBON LAW

The Tunisian Government promulgated on March 6 1987 a new law which reinforces the measures already taken in 1985 and brings in new very encouraging measures, attractive for oil exploration companies.

TAXATION SYSTEM

LIQUID HYDROCARBONS

1—Royalty: Levied according to rates varying with a ratio (R) of accumulated net income to total accumulated expenditures for a given concession. Royalty of 2% corresponds to R ≤ 0,5 incremented by 2 or 3 points until 15% for R > 2.5.

2—Tax on profit: Levied according to rates varying with the same ratio R: tax of 50% corresponds to R ≤ to 1,5 increasing by 5 points to reach a maximum of 75% for R > 3.5.

The same approach is used for natural gas, but with additional advantages.

Phosphates industry

Rationalisation plans

THE TUNISIAN phosphate industry has come through the economic crisis of 1985-86; its optimism of the early 1980s replaced by an acute awareness that the world phosphate market is extremely tight and is likely to remain so in the foreseeable future. Rationaling its complex structure and improving its marketing abroad are now major concerns.

In 1986, fertiliser and chemical exports contributed $339m (up from $275m in 1985) to Tunisian exports of $1768m. The sector's targeted growth under the seventh five year plan is 9.5 per cent per annum, reaching TD428m ($520m) by 1991. In the first seven months of 1987, production and sales are running 10 to 15 per cent above 1986 levels.

Phosphate mining has recovered from its poor performance two years ago. Technical improvements have increased rock yields by 24 per cent over 1985 and current production levels of 5.8 million tons are expected to be maintained over the next decade. Some 80 per cent of rock is sold to the local phosphate processing industry, with the rest exported.

The Groupe Chemique Tunisienne (GCT), an umbrella organisation covering the country's 12 main phosphateand fertiliser manufacturers, employs 5,200 of the industry's 24,000 workers. Group losses in the period 1981-86 were TD194m ($237m).

Restructuring is now under consideration, amalgamating the Societe Industrielle d'Acide Phosphorique et d'Engrais (SIAPE) with four other companies, Industries Chemiques Maghrebines (ICM), Engrais de Gabes (EG), Industries Chemiques de Gafsa (ICG) and Societe Arabe des Engrais Phosphates et Azotes (SAEPA).

Their boards are meeting this month to consider restructuring plans. One obstacle is the level of Kuwaiti cross-participation, which would leave the Kuwaiti partners, directly and through Banque Tunisio-Koweitienne de Developpment (BTKD) as majority shareholders in the restructured group.

The five companies' manufacturing base is diverse, though the market downturn has halted expansion plans. The onlymajor project outstanding, the SIAPE II plant at Skhira, comes into operation at the end of this year. The SIAPE B plant at Sfax, which has caused environmental problems, will then be closed. SIAPE A at Sfax will continue production of 550,000 tons TSP (triple superphosacid) a year.

The SIAPE II plant, costing $140m, is being built by the French company SPIE Batignolles. It will be the first North African producer of superphosacid, geared for the production of more marketable liquid fertilisers. In addition to sulphuric acid and phosacid production lines, it will produce 1,000 tons per day of superphosacid in 62-72 per cent concentrations.

The seven plants at Gabes account for about half of Tunisia's phosacid production, using 3 million tons of phosphate rock and 1 million tons of imported sulphur. Some 70 per cent of its phosacid production is exported via its own harbour and transport arm, Gabes Chemie Transport, whose six tankers have a total capacity of 56,000 tons dry weight.

The Abu Dhabi Investment Authority has a 40 per cent stake in SAEPA's Gabes operations. Its ammonium nitrate plant imports 80 per cent of its ammonia feedstocks from the Gulf, but hopes to produce ammonia in future from supplies of gas tapped from the Algerian pipeline. Between 40 and 50 per cent of production is exported, but the local market is expected to absorb most of the plant's output by 1991. SAEPA also produces phosacid and DAP fertiliser.

ICM's 3 plants at Gabes produce 100,000 tons a year of TSP, and 60,000 tons a year of DCP, as well as phosacid and sulphuric acid. A pilot project is underway to explore the extraction of uranium from phosacid.

Al Kimia at Gabes produces produces sodium tripolyphosphate (STPP) using 27,000 tons of imported soda and 37,000 tons of locally produced phosacid. The plant is running at 120 per cent capacity, producing 36,000 tons er annum, 80 per cent of which is exported.

ICG, sited at Tunisia's main mining area, produces 480 tons p.d of phosacid and 1344 p.d. of TSP. In the Tunis area, Societe Tunisienne d'Engrais Chimiques operates two plants producing phosphates and fertiliser, with its Rades operation handling production and domestic and commerical sales of agricultural pesticides. Turnover is $2.4m a year. Granuphos at Sfax produces 100,000 tons a year of granulated phosphate and fertilisers for export.

The industry's downturn has delayed the planned potassium sulphate plant in Zarzis. The Societe de Developpement des Industries Chimiques de Sud (SDICS) is now considering concession development. A decision is expected in March 1988, when fiscal and technical studies are completed.

The phosphate industry has evolved a number of strategies to help it keep and expand its market share. Projects are now underway in Turkey and China for the construction of phosphate fertiliser plants employing Tunisian expertise and $280m Kuwaiti financing. The plants will use Tunisian phosacid feedstocks in an export marketing arrangement.

GCT, through its consulting arm, Tunisie Engeniering et Construction Industrielle (TECI) is seeking other cooperative efforts of this sort, most recently with Pakistan, aimed at technology exports and market expansion.

Industry representatives feel that more aggressive marketing work is necessary, given the competition they will face from Moroccan exports when those come on stream later this year. The Soviet Union now takes 20 per cent of Tunisia's TSP production, and the GCT is exploring countertrade arrangements to offset the cost of its sulphur imports (over 1 million tons a year). Countertrade in phosphates for import coverage in other areas is also being developed.

Tunisia now has 23 per cent of the world market for TSP46, 11.5 per cent of phosacid trade, and 7.3 per cent of DAP. To improve this position in line with the seventh plan's expectations will require a far sharper marketing operation. The intended restructuring, if it is to address this export imperative, will need to look as much to the organisation's marketing strategy as to its management structure.

Joan Wucher King

Agriculture and Fish Industry

Investment level raised for farming

UNLIKE ITS eastern neighbour Algeria, Tunisia did not, in the wake of the quadrupling of oil prices in 1973-4, sacrifice its farming sector on the altar of rapid industrialisation. Oil exports only provided between one third and 40 per cent of the currency earnings. But throughout the following decade, agriculture suffered from benign neglect.

Between 1960 and 1984 this sector's share of gross domestic product declined from 24 per cent to 16 per cent and total employment from 56 per cent to a third. Its share of exports fell by more than two thirds to 15 per cent in 1980.

Like so many of its Third World peers the Government headed by Mr Hedi Nouira, virtually froze the price paid to producers while it increased the subsidies on staple foods to curry favour with the fast-growing cities.

The last Economic Development Plan (1982-1986) paid more attention to farming and provided a greater measure of finance than hitherto. The seventh plan launched this year consolidates those gains. Agriculture's share of overall investment will increase from 15.6 per cent to 19.2 per cent (TD 2bn) (US$2.43bn).

Despite the consequences of the sharp devaluation of the dinar in the past two years, which has pushed up the price of farming equipment, a more coherent set of policies is taking shape. Yet bold initiatives will be needed in the years ahead if Tunisia's dependence on imports (40 per cent on average where cereals are concerned, 50-60 per cent for milk and 30 per cent for meat) is to be cut and earnings from exports of olive oil, dates and wine developed.

Prices paid to producers have been increased sharply so that today they reflect far more accurately than ever before the real cost of production. Thus between 1981 and today the price of durum wheat has roughly doubled to TD 210 a tonne, now close to world prices.

At the same time subsidies on fertilisers, pesticides and animal feeds are being phased out and should be eliminated by 1989. The cost of machinery however has soared because of the value of the dinar so that even those tractors built in Tunisia, by the German company Deutz, have doubled in price (to TD 7,000 for a 70 hp tractor) because the kits have to be paid for in Deutschmarks. Overall the price of many inputs and machinery appears to be rising faster than world prices.

The small acreage of the average Tunisian farm does however make meaningful comparisons with Western Europe or North America an often difficult exercise.

The cut in subsidies which today still affects wheat, flour and edible oil, has proceeded apace since the riots of January 1984 which came after the Government, then led by Mr Mohamed M'Zali, decided to double the price of bread at a stroke. Subsidies will cost the Tunisian exchequer TD 190m this year, that is, one fifth less than in 1986.

The need to prevent prices rising too fast, at a time when incomes are declining, for fear of the mass of impoverished and often out of work people living in the major cities, is still forcing the authorities to intervene to prevent the rise in prices of certain vegetables when they are out of season.

By and large, however, the prices paid by the consumer are reflecting what it cost to produce them. This year has been exceptionally good for farming, notably for cereal producers and those rearing sheep, thanks to plentiful rain.

Fishing too is benefiting from the Government's decision to liberalise exports. This has put many fishermen back to work, pushed up the price of existing fishing boats, led to the ordering of new ones and resulted in a sharp increase of valuable exports to France and Italy, in a sector where EC quotas do not apply.

However, Tunisia's fleet can only boast a catch worth about 40 per cent of the fish which is available, and in the north western port of Tabarka, only 5 per cent of what is available at sea is landed.

Over the years irrigation has been less neglected than other aspects of farming activity. Hence the many dams built over the years, often by the Yugoslav firm Hydrotecnika.

A vast plan which has enjoyed the support of the USSR is being completed, which is helping to bring water from the north west region to the Cap Bon near Tunis, long renowned for its orange groves and vegetables.

The region around Jendouba and Beja is also benefiting from large irrigation schemes and what was, two thousand years ago, renowned as the "granary of Rome" in finding its role as granary of Tunisia a rewarding one. Long neglected by central government it is now the focus of many integrated development projects, a number of which enjoy the support of the World Bank.

One of the most original consists in attributing plots of about 15 hectares of land, with loans which are interst free and repayable over 20 years, to agricultural engineers. Thus Mr Mohamed Ikbal Souissi is raising rabbits (a hitherto unknown delicacy in Tunisia) which he successfully markets to the hotels on the coast. He is also producing milk, fattening bullocks and producing strawberry plants, here again a "first" in the country. Farming machinery is provided free of charge and overall the results look encouraging.

Why more state land, often very poorly managed by the Office des Terres Domaniales (State Domain Land Agency), or state-run co-operatives cannot be distributed to such people underlines how timid politicians have been. Such lands which are among the richest in the country used to belong to former French "colons" until they were nationalised 25 years ago.

Many small and medium sized private farms are doing well when they happen to be in an area where there is irrigation. But a potentially disastrous situation arises out of the new craze for large farming projects, often financed by the Tunisian Arab consortium banks set up in the early 1980s.

These projects are often too large (such is the case of a farm at El Marjato produce milk being set up with the backing of the Tunisian Saudi Bank, Stusid, with 2,000 head of cattle.) Production levels here remain below those of smaller local farms, while the rate at which animals seem to catch tuberculosis (a serious problem in Tunisia) or fall ill is rather high. The temptation to think and finance "big" has often spelt disaster in industry. The same could happen in agriculture.

Many other activities aimed at improving output are being undertaken. They include improving tracks in more isolated areas, such as the one above Ghardimaou near the Algerian border (where a remarkable natural reserve of deer, boar and fox exist at Fedja), introducing new crop varieties, improving feeds and reforesting.

It is remarkable for instance that in the aforementioned Stusid project Holstein cows were imported from the United States - they may have been cheap since the US is keen to subsidise exports of surplus cattle - but they do not appear to adapt to local conditions very well.

Whereas the production of many vegetables, fruit and poultry has increased in recent years, improving milk output presents a greater challenge. Present policies do not suggest that Tunisia's dependence on imported milk will decline markedly in the years to come.

Improving the production is but one side of the coin. Marketing it abroad is the other. Last July the World Bank devoted a report to what might be done to improve exports. The authors underlines ever so politely that the state Offices, which often enjoy a monopoly over exports of particular products, constitute a real "constraint on export diversification".

The Office National de L'Huile has a prestigious head office, two floors of which are rented to a bank, owns shares in the Union Internationale de Banques which it even considered buying after UIB nearly went bankrupt 18 months ago. It is run by bureaucrats and politicians who are not necessarily best suited to the difficult task it faces.

Increasing olive oil exports to the EC whose current pricing policies are likely to continue generating substantial surpluses to consumption, will prove very difficult. Yet olive trees which occupy one third of all useful land in Tunisia and guarantee the livelihood of hundreds of thousands of families, are considered sacred here and help to preserve the environment.

The 44,000 tonnes exported in 1986 earned TD 54m, 80 per cent of which went to Europe. Various options exist to boost exports which include improving quality (which has declined in recent years) and developing new markets in countries which are resistant to dumping from the EC, not to mention adding higher value to the oil in Tunisia.

The same report points out that the relaxation of the monopoly enjoyed by the Societe Tunisienne des Industries Laitieres (STIL) over the export of dates, Tunisia's other major agricultural export, which earned TD 58.5m last year, led to a rapid development of local treatment and packaging units. Foreign exchange earnings benefited substantially as the proportion of high value dates increased in transactions.

Prospects here remain good as the enlargement of the EC will ave no negative effect on exports. But far more needs to be done in terms of marketing. The quality of the "deglet nour" date is undisputed, but many potential consumers notably in North America have never heard of the beast.

Exports of high quality "Maltaise" oranges, of almonds, whose production has increased by 45 per cent since 1982 and apricots could be boosted but only if transactions which are currently made through commission agents in Italy or France are abandoned in favour of long term contracts with major foreign impo.ters on the basis of prenegotiated target prices and reliable shipping schedules.

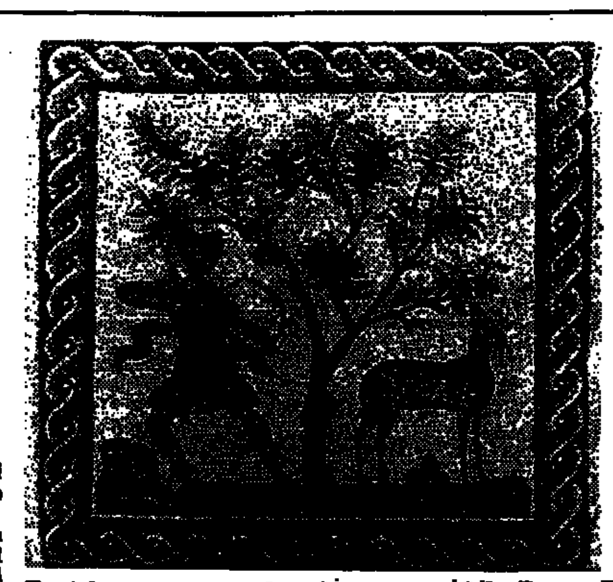
Since the mid-1960s wine production has been more than halved to 600,000 hectolitres per annum, 60 per cent of which is exported. Exportable surpluses however are destined to be trebled by the mid-1990s as ageing vineyards are replaced and improvements increase the proportion of better quality wine.

Structural surpluses in the EC since 1980 have been exacerbated by the accession of Spain and Portugal. The import quotas are subject to a reference price which is now double that of the EC wines of the same category. The Office National de la Vigne (ONV) has thus been pressed into exploring new outlets, but penetration of new markets is handicapped by inadequate wine-making and bittling capacity, which in part explains Tunisia's inability to fulfill or even come close to the EEC quota of Tunisian bottled wine.

The shift to higher quality wine should be pursued more vigorously, the possibilities offered in North America explored further. Meanwhile the monopoly of ONV may not provide the best incentive to bolder marketing policies.

Improving the quality of what they produce, treatment and packaging of produce in Tunisia and paying far more attention to marketing thus offer opportunities, despite the constrains of the EEC Common Agricultural Policy. The more coherent farming policy which now exists in Tunisia could thus make a major contribution to feeding 7.5m Tunisians, providing employment and earning valuable foreign exchange. The Ministry of Agriculture has been given a larger slice of the investment budget than hitherto. But bolder policies, not least where the disbanding of the state "Offices" are concerned are required if the promise offered by this sector is to bear fruit.

Francis Ghiles



Tunisia was renowned as the granary of the Roman Empire. Mosaics (above) testify to the wealth of agriculture. Right: fishermen mending nets

Manufacturing industry

Great export expectations

THE VARIED manufacturing base in Tunisia has been a successful source of both foreign exchange and domestic supply. Hard hit by the economic recession of 1985-86, industry is being redirected to become, by the end of the seventh plan, an export-led sector.

Industrial exports are scheduled to reach TD7bn ($8.54bn) in 1991, with volume rising by 9.5 per cent per annum, and 45 per cent will come from goods and services, as opposed to 35.5 per cent in the previous plan. Investment levels are TD 1.7bn, against TD1.54bn in the sixth plan, 54 per cent to small and medium-sized firms. Sectoral employment should increase by 27 per cent, and the parastatal companies sectoral share will fall from 57 per cent to 35 per cent.

These expectations are prodigious for an industry still regrouping itself after a period of investment curtailment, import restrictions on goods and machinery, and weak domestic demand. Growth rates were 4.9 per cent in 1986, 3.5 per cent below budget forecasts. Unemployment rates, estimated at 17 per cent, have been worsening though the rate is obscured by Tunisia's large informal sector.

Import restrictions imposed in 1986 have been steadily lifted for industrial needs, and the dinar devaluation has helped boost exports. However money for expansion and development remains tight, and this will complicate government plans to privatise public companies in sectors with adequate competition.

It is generally felt that the domestic market will remain quiescent; the Government plans to keep domestic consumption growth to about 3 per cent per annum. While living standards have fallen, unofficially, by about one fifth since 1984, inflationary pressure means credit financing charges are likely to remain high.

The first seven months of 1987 have seen a 30 per cent increase in sectoral turnover, with a 10 per cent growth in sales. While the new export drive is aimed at all types of industrial output, in the words of one manufacturer, it is important that industry develops goods which are competitive in price, type and quality,and an improved distribution nexus.

The textile industry, employing about 60,000 people, registered impressive growth of 25 per cent in 1986, with earnings of TD388.4m, despite weak domestic demand. There is heavy German investment in this sector, primarily for export production for the German market. Some 150 companies, with over 15,000 employees, engaged in light and household goods manufacturing, are increasingly taking advantage of the export incentive schemes now on offer.

Construction material sales fell in the economic downturn, but have recovered somewhat through export sales. Cement production is growing at 7 per cent per cent. Urban redevelopment of the shanty towns around Tunis, and the renewal of the Tunis Lake project, designed to create a new urban centre in the city, will boost domestic demand. A joint venture Algerian-Tunisian cement factory producing 210,000 tons per annum, with 9 per cent for export, will supply both markets.

Heavy industrial projects have been curtailed by the spending cuts of the past two years and by the seventh Plan's more cautious approach to public investment. The rolling mill at Menzel Bourguiba is being refurbished under a planned $10m contract, but a new steel mill planned at Ouardine, near Sousse, has been mothballed.

Automobile manufacturing was badly affected by the dinar devaluation, which raised imported kit prices, and by weak domestic demand. General Motors, Volkswagen, Mercedes Benz and Peugeot all suspended or cut back operations. Last year, the state-owned Societe Tunisienne d'Industrie Automobile (STIA) saw bus and light truck production fall by 85 per cent on average, industrial trucks by 68.5 per cent and cars by almost 63 per cent. Its Renault and Iveco assembly lines at Sousse were partially suspended, with salary cuts and layoffs.

Industry suppliers felt the impact. The new Msaken tyre factory is operating at 80 per cent capacity, and SICAME's truck body manufacturing operations have been badly affected. SICAME has now shifted to greater export production. The Government has moved to cut import taxes on kits and components to revive the industry, and a 1986 agreement with Algeria aims to rationalise automobile production and distribution.

The dinar devaluation has helped to boost exports

Fiat is now negotating with STIA to produce low price cars and buses for export and regional sales. Kit import will be partly financed by phosphate countertrade. Production is expected to start this Spring. Italy's Pirelli and Lombardini are also engaged in joint ventures in the automotive supply sector.

The Union Tunisienne de l'Industrie et de l'Artisanat (UTICA) feels exporters must develop marketing and publicity, in cooordination with Tunisian embassies and agencies abroad. Government help is needed in international marketing, particularly trade fairs, which are costly but an important showcase for Tunisian manufactures.

Better marketing and product diversification for export requires investment, but the cost of credit at 17 per cent is seen as a real hindrance. Manufacturers criticise banks for taking easy profits at low risk: the development banks are seen as overcautious, and commerical banks as lacking entrepreneurial skill. Industrialists point to the role of banks in developed economies, which have more helpful attitudes towards business expansion.

Some manufacturers feel that the Government is reducing industrial investment when it should be boosting its involvement, particularly with specialist financing, for development and exports. Export credit procedures,despite the establishment of Cotunace (Compagnie Tunisienne pour l'Assurance du Commerce Exterieur) are cumbersome, as are commercially constraining bureaucratic controls.

For European investors, Tunisia's main advantages are low labour costs and geographical siting for Maghreb and Europe markets. Textile manufacturers, including Lee Cooper and Goddard, have profited on both counts, and there is ample scope for an expansion of export-based enterprises.

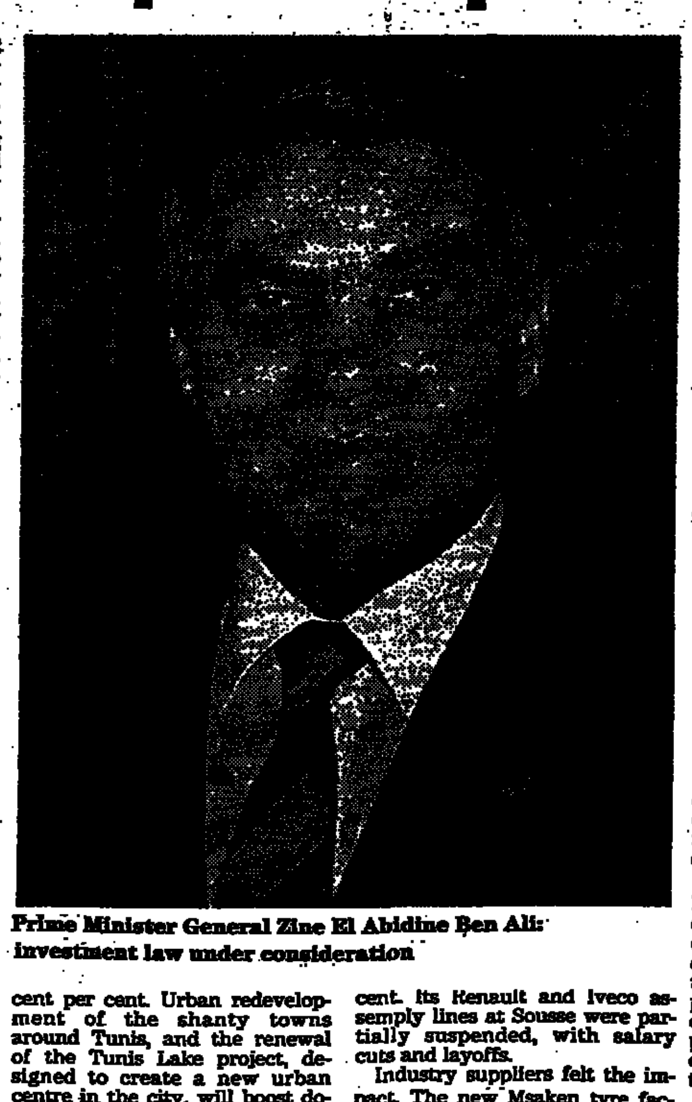
British companies have yet to bid successfully for a major project in Tunisia in recent years, despite the fact that their presence is welcomed at governmental and private levels. Linguistic problems aside, the British Government has not given financing packages equivalent to those on offer from other European countries.

The German trade office regularly publicises investment opportunities, and now has over 100 enterprises with 12,000 employees. The Italians pursued a similar, very aggressive and successful marketing effort combining soft loans, grants and export incentives. Both countries are optimistic about expanding their industrial involvement.

The Government's new investment law, now under consideration, will vastly improve the investment climate for foreign capital, with zero duty on imports for export production purposes and on the profits accruing from export sales. Plans exist to revamp the various agencies and bodies promoting foreign investment.

More active involvement by development banks is sought to identify as well as fund industrial projects and production technology improvements, especially in the investment zones created in the less developed rural areas. Given the current commitment to export growth, the Government has made clear its expectations that the bureaucracy and banks will follow through his policy line.

Joan Wucher King


Prime Minister General Zine El Abidine Ben Ali: investment law under consideration

There is an urgent need to spread the benefits of tourism away from the overdeveloped coast

Decline of dinar benefits visitors from Europe

LAST AUGUST four bombs exploded in seaside hotels in Monastir and Sousse. Coming on the eve of President Habib Bourguiba's birthday, they were the gravest challenge to the 87-year-old leader ever thrown out by the radical Islamic activists. Coming at the height of the country's most successful ever tourist season, the bombs gave the many Tunisians whose livelihood depends on this activity their worst week ever.

The fallout from the bombs was minimal, however. A few hundred cancellations at most, which has convinced the Director General of the Office National du Tourisme Tunisien, Mr Ahmed Smaoui, that Tunisia is now accepted, alongside Spain, Italy and Greece as a host country where the odd incident, however serious, does not necessarily impair the image so painstakingly built up over a period of 20 years.

This optimism is supported by the fact that the fall in the number of tourists visiting the country last year (25 per cent down, to 1.5m, compared with 1985 figures) was not due, as many observers thought at the time, to a combination of the hijacking of the Italian cruiser Achille Lauro, the Israeli bombing of the Palestinian Liberation Organisation Headquarters near Tunis, nor the US Air Force's bombing raid on the Libyan capital of Tripoli in April, 1986.

Indeed, last year's fall in numbers was solely due to the very sharp decline in the number of Libyan, and more importantly Algerian, visitors. The number of Algerian visitors declined by 62.3 per cent to 308,000 because of currency restrictions in Algeria. The number of European visitors rose by a modest 2.6 per cent.

This year, the number of Europeans is expected to increase by more than a third to 1.5m, helped by the sharp decline in the value of the Dinar, which has made Tunisia very competitive vis-a-vis other Mediterranean destinations. There is a greater choice of hotels, which now offer 100,000 beds, and a very active marketing policy. In the spring of last year, after the US raid on Tripoli, 1,500 foreign journalists were invited to visit the country.

The occupancy rate of hotel rooms, which had declined last year to 48 per cent, has already increased to an average of 63.3 per cent this year, with a record 77 per cent for last September. Foreign currency receipts, which last year declined by 7.2 per cent to TD385m, could be as high as TD500m this year. Such a figure would confirm this sector as the second most important hard currency earner after textiles and ahead of oil, which for the better part of the last decade or so was the country's major hard currency earner.

The major part of the building effort is now over. Another 19,000 new beds are planned, 13,000 of which are being built. As only 15 per cent of the cost of any new hotel can be imported, hotel building has provided a major boost to the building, furnishing, and crafts industries. For every job which results directly from hotels, 3.5 other jobs have been created in agriculture, transport, services and crafts. The hotel industry directly employs over 40,000 people today. As farming benefits from considerable encouragement in the next economic development plan, a good tourist season does wonders for fruit and vegetable growers, not to mention the fast-growing fish industry.

The challenge of developing more backward areas, such as the deep south and the attrative northwest coast, remains. The Tunisian-Saudi bank, Stusid, is helping to finance a major project in the port of Tabarka, which lies close to the Algerian frontier. But Tunis appears until very recently to have all but forgotten the Kroumir Mountains lying to the south of Tabarka which boast attractive cork oak forests. Few tourists still bother to travel to the many Roman sites which lie inland.

Tourism

Dinars (m)

	Trade deficit	Receipts from tourism
1980	523.6	259.7
1982	832.6	340.7
1984	1,040.1	357.7
1986	900	358.8

Source: Banque Centrale de Tunisie.

Apart from spreading the benefits of tourism away from an already overdeveloped coastline, the need to improve recreational amenities is recognised. Hence, the country's second golf course, which is nearing completion in Monastir, and the decision to open casinos. It is sad, however, that the festival of Hammamet, which in the 1960s attracted some well-known international names, has in recent years sunk very low, as has the festival held in the Roman theatre in Carthage. Nor will going up market, if such is the intention of the authorities, be helped by the growing habit of selling four star hotels for the price of two: services tend to deteriorate fast.

Instead of building yet another monument in Monastir, the authorities could spend more on restoring some of the lovely old houses, medersas (schools), and zaouias (shrines), which are falling to ruin in the old medina of Tunis. They could even mention in the tourist brochures that such places exist, assuming they made them accessible, which is hardly the case today.

Many Tunisians are convinced that no tourists are interested in such places because, they themselves are often not.

A good quarter of new investment in hotels has, since the late 1970s, come from foreign interests, particularly Saudi and Kuwaiti. The Consortium Tuniso Koweitien de Developement has built seven hotels, which it manages efficiently. However, Tunisia's experience with the Saudi financier, Mr Ghait Pharaon, has left a bitter taste and a legacy of international litigation.

The state, meanwhile, has been selling off hotels to the private sector and last year extended many tax advantages, which hitherto had been limited to those building new hotels, to entrepreneurs seeking to renovate older buildings. Some hotels, however, particularly in the four-star category, badly need to lose a star. This is the case in particular of the Sindbad in Hammamet and probably of the two first-generation luxury hotels in the capital the Meridien's "Africa" and the Hilton. The new and less luxurious Mechtel provides, in many respects, better value for money but these are early days.

One sector which has not gained as much as it might have from the influx of tourists is Tunis Air, which is grossly overmanned and badly managed. As a result, its share of foreign visitors travelling to Tunisia is declining steadily, notably in the Benelux countries.

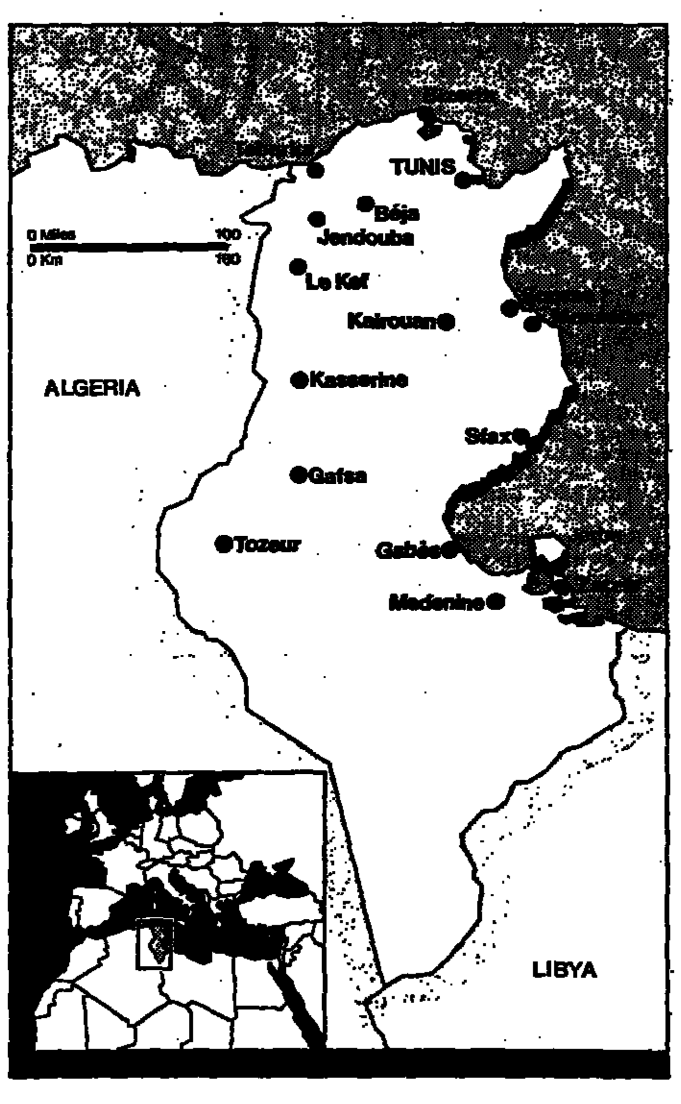
The growing influence of radical Islamic activists has forced the authorities to walk a fairly narrow path between pleasing the tourists (and many Tunisians whose traditionally welcoming behaviour towards foreigners and foreign ideas goes back 2,000 years and more) and respecting religious tradition and the mosque. In the longer run, however, the growing disparity in domestic incomes could cause problems.

Tunisia, however, cannot avoid the challenge which a large number of foreign visitors present. It needs the hard currency the jobs the sector supports both directly and indirectly too much. That contribution can only grow in the years to come.

Francis Ghiles

Left to right: A traditional shop in the old medina of Tunis; the Roman ampitheatre at El Djem; the Zitouna mosque and Koranic university in Tunis, which is more than 1,000 years old; the Sidi Bou Makhlouf shrine in Le Kef; and the mosque of Kairouan, one of the holiest in Islam. All these buildings testify to the considerable wealth of ruins and architecture which exists in North Africa's smallest country

Business Guide



The country and the climate

TUNISIA LIES on the north-east corner of the Maghrib, less than three hours flight from London. For more than 2,500 years since Queen Dido arrived from Tyre to found Carthage, what today constitutes the Tunisian hinterland has been ruled from the same place, which today is the residential suburb of the capital, Tunis.

The climate is hot in summer, (often up to 40 degrees C in Tunis, with higher temperatures inland and in the south), temperate in spring and autumn. The North is often windy and wet in winter, the climate more continental as the visitor travels inland towards the Algerian frontier.

The deep south of the country is true desert climate, more pleasant to visit in the winter and spring than in summer. Tunisia's seven and a half million people are more Arabised than other North Africans but French is commonly spoken.

Getting There

Most major Western air companies fly to Tunisia. British Caledonian has served Tunis for many years. Visas are not required for United Kingdom and most other Western European and American visitors. The Dinar currency cannot be bought outside Tunisia.

Business Hours

Government offices work a six-day week closing on Friday and Saturday afternoons and Sunday. Banks and private companies work a five-day week but there are moves at present to extend the summer practice of an early start, short lunch breaks and early afternoon closing.

Car Hire

Cars are easy to rent at major airports and hotels but expensive. Do not expect them to be in perfect condition. Despite recent efforts to improve them, Tunisian roads are often mediocre and driving habits increasingly erratic.

Hotels

Hotels in general are cheap and easy to find. The state is increasingly selling its hotels to the private sector but most hotels which boast four stars hardly deserve more than three.

Tunisia essentially attracts package holdiaymakers and the policy promoted by many four star hotels of selling their rooms on the cheap has led to a decline in service in older establishments such as the Africa and the Hilton in Tunis, the Sindbad in Hammamet, the Siphax in Sfax and the Hannibal Palace in Port el Kantaoui. Of the Abou Nawas chain only the one in Gammarth and the Mechtel in Tunis are near the standards expected of four star hotels.

The best hotel in Tunisia is still the privately owned Jerba Menzel, on the island of Jerba. the Sheraton in Hammamet boasts excellent food.

The Sangho Club in Zarzis offers excellent value for a family holiday with a somewhat more restrained atmosphere than the one which exists in the many Club Med hotels.

Eating out

Tunisia offers plentiful choice. In Tunis, the Strasbourg is best avoided. La Goulue (Tel 251 661) offers good French and Tunisian food as does Le Milanais. Saadi (tel 230 400) is excellent while L'Astragale (tel 980445) is decidedly up market. But Les Margaritas (tel 246254) must have pride of place for French food, L'Orient for Tunisian fare, Chez Slah (tel 258588) for fish.

On the northern shore of the Gulf of Tunis, Tchevap (tel 278110) offers a lovely blend of lighter Tunisian, French and Italian food, with excellent seafood pasta in a somewhat student Cafe atmosphere.

In Sidi Bou Said, Les Pirates and, in summertime, Le Phenicien are first rate. Further north in La Marsa, Le Golfe and the more expensive Forum (tel 271 600) offer reasonable food and pleasant sea views.

In Hammamet, Le Barberousse and Le Theatre offer good fare in summertime, but the latter is not worth visiting outside the June-August period. The Jerba Menzel hotel offers first class food.

For those visitors to Tunisia who would wish to get a whiff of the traditional north African dish of "couscous" they could do worse than to visit Laurent Restaurant in Finchley Road (tel 794 3603)

Arts and crafts

The variety of good traditional crafts in Tunisia today is limited. the Office de l'Artisant, Avenue Habib Bourguiba does offer the best choice available to those who are not specialists and do not wish to bargain for hours. The office has show rooms in all major coastal resorts.

Tunisian carpets (mergoums or Kairouan weaves) remain very attractive and well made. Pottery from Nabeul is attractive and easy to find. Old silver jewelry is more difficult to locate although a few shops do exist in the old Medina of Tunis.

For anyone interested in Muslim architecture the Association de Sauvegarde de la Medina will be happy to show you around some of the old houses and shrines of the city. The Bardo Museum for its part boasts the most spectacular and comprehensive collection of Roman mosaics to be found anywhere.

Private art galleries are many but among the best are Cherif Fine Arts in Sidi Bou Said (tel 275 564), Gorgi Gallery at Mutuelville (280 890) and Les Metiers at the Belvedere.

Two age old specialties are also available - Turkish delight at Tourassi in the Medina and smoked fish roe, known at Boutargue in the Avenue de Madrid. Boukha, a liqueur akin to vodka and distilled from figs is also worth a try.

Economics

For economic information about Tunisia, there is precious little outside specialised publications like the Central Bank Annual Report or the Conjoncture Review edited monthly by the Ministry of the Economy. The information published in the local press is usually mediocre and often inaccurate.

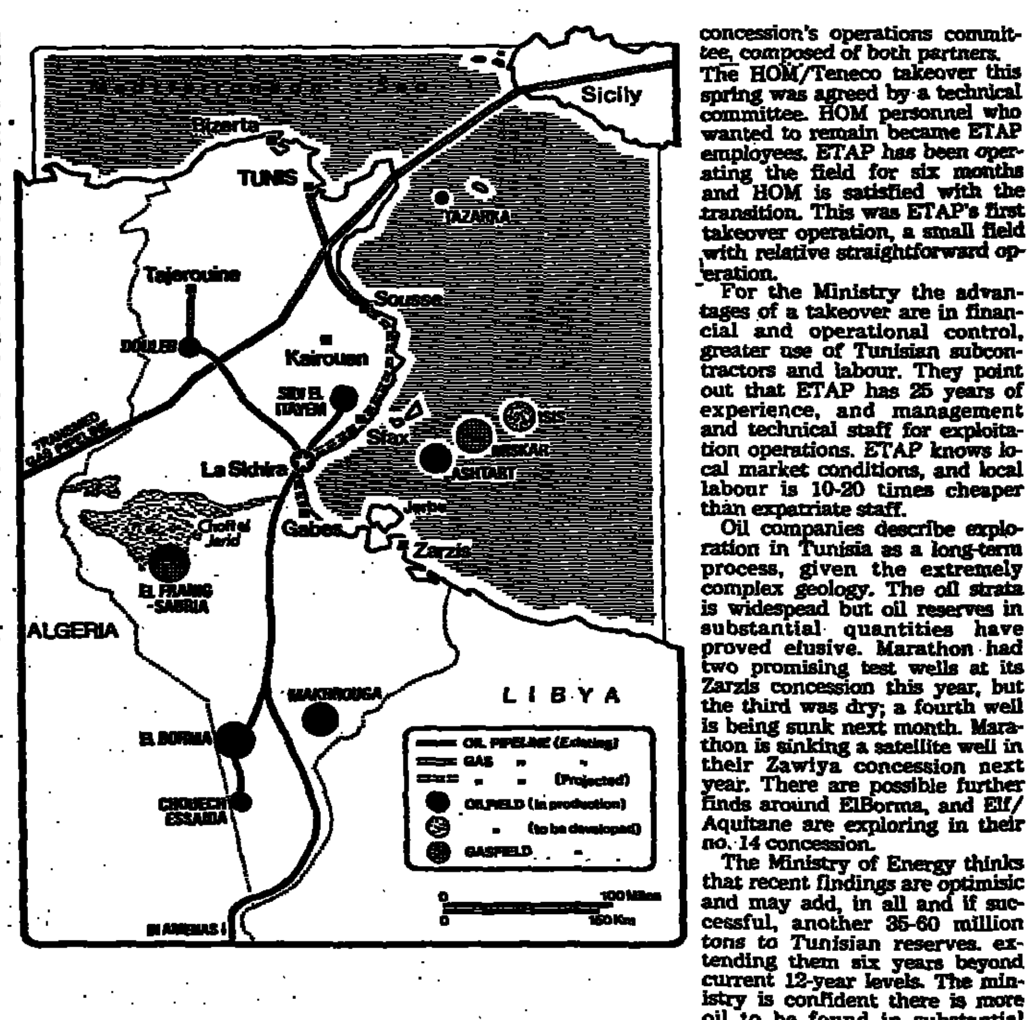
Books to read

All the major guide series have a volume devoted to Tunisia.

Francis Ghiles

Oil and Gas

Reserves still declining



THE IMPROVEMENT in world oil prices over the past year has been an important factor in Tunisia's economic turnaround. In 1985, the fall in oil prices led to a 45.2 per cent decline in sectoral export earnings. Oil export revenues increased 30.6 per cent in the first quarter of 1987, volume by 15.5 per cent. However, proven oil reserves continue to decline, with Tunisia set to become a net oil importer by the mid 1990s. Though new finds have been the subject of some speculation, no substantial reserves have been discovered in 15 years.

Gas reserves are also in sharp decline. Al Burmah's gas production peaked in 1983, and by 1992, will be half current levels of 400,000 cu m. The doubling of national gas production during 1982-85 came from tapping new supplies of Algerian gas.

There are no plans to develop the offshore Mishkar gas field, disovered by Elf Aquitane, though there is reportedly US interest in the field. The gas has a high corrosive content and development would cost \$500m. The proposed Algerian-Libyan gas pipeline, like its predecessor, the Transmed Algerian-Italian pipeline, will transit Tunisia and provide additional supplies. 95 per cent of Tunisian gas now comes from Algeria.

A new petroleum and gas law introduced in March (Law 87/9), altered exploration and exploitation conditions, and defined participation rights of ETAP (Enterprise Tunisienne d'Activities Petrolieres), the state-owned oil company. Tax bands were ameliorated for marginal field exploitation, and import duties eased.

Top tax rates on expatratiate salaries dropped to 60 per cent, with exploration personnel on a flat scale of 20 per cent. The law is designed to encourage exploration by smaller oil companies, and exploitation of marginal finds.

Foreign concessionaires feel the incentives are still not on par with the country's production, especially given the lack of a significant discovery since 1971. Exploration costs would be best offset by a 4 or 5 year tax/royalty holiday, particularly for small or marginal field production (2-4 million tons).

Better onshore production terms are also sought, given the costly exploration and development programmes needed in Tunisia. Elf/Aquitane has recently completed an expensive and complicated enhancement of its Ashtart field, to produce higher yields next year, the only field to register an improvement over 1987 levels. The provisions enabling ETAP to take over field operations after four years have caused some concern, especially concessionaires' long-term liability.

Expatriate placement in Tunisia for production personnel remains expensive - one company estimates tax rates make the country twice as expensive as London for equivalent personnel. Despite some teething problems with the new law, notably with regard to customs formalities, oil companies find the Ministry of Energy supportive of their needs, with a first-rate team.

In the Ministry's view, the new law reflects the differential risks of exploration/exploitation positions. The tax and duty advantages of the exploration phase reflect the company's commercial risk, as opposed to the commercial certainties of exploitation, when duty and tax levels rise.

The Ministry acknowledges pressure to unify exploration/exploitation incentive schemes, but feels its terms are competitive. Some 25 new companies have expressed interest and two new concession have been granted to Conoco (Al Hama) and Panoco (Sbeitla).

The potential for an ETAP take over is downplayed by both the Ministry and ETAP itself. Both indicate it is only one aspect of a concession negotiation, not a general principle. Under the law, ETAP can take 50 per cent participation but after evaluation, elect for a lower level. If ETAP elects less than a 30 per cent share, the concessionaire remains the operator. In case of discovery, ETAP reimburses development costs to the level of its concession participation.

ETAP has not asked to be the sole operator in the majority of concessions. Under the law, take over could occur four years after discovery, within a legally agreed framework, and with ETAP personnel who have learned the operational prerequisites of the field from its beginning. Even then, operational decisions remain with the concession's operations committee, composed of both partners.

The HOM/Teneco takeover this spring was agreed by a technical committee. HOM personnel who wanted to remain became ETAP employees. ETAP has been operating the field for six months and HOM is satisfied with the transition. This was ETAP's first takeover operation, a small field with relative straightforward operation.

For the Ministry the advantages of a takeover are in financial and operational control, greater use of Tunisian subcontractors and labour. They point out that ETAP has 25 years of experience, and management and technical staff for exploitation operations. ETAP knows local market conditions, and local labour is 10-20 times cheaper than expatriate staff.

Oil companies describe exploration in Tunisia as a long-term process, given the extremely complex geology. The oil strata is widespead but oil reserves in substantial quantities have proved elusive. Marathon had two promising test wells at its Zarzis concession this year, but the third was dry; a fourth well is being sunk next month. Marathon is sinking a satellite well in their Zawiya concession next year. There are possible further finds around ElBorma, and Elf/Aquitane are exploring in their no. 14 concession.

The Ministry of Energy thinks that recent findings are optimisic and may add, in all and if successful, another 35-60 million tons to Tunisian reserves. extending them six years beyond current 12-year levels. The ministry is confident there is more oil to be found in substantial quantities, and feels discoveries will increase as exploration technology develops.

The director of ETAP, M. Habib Lazreq, is cautiously optimistic about the new finds which, particularly those onshore, could be developed even if they prove marginal. With only 400 wells sunk to date, ETAP feels Tunisia is under-explored. For oil companies, ETAP can offer an oil infrastructure leaving no concession more than 100-200 km from a pipeline or harbour. Gas finds can be injected into the Transmed and Tunisian pipeline systems, both for export and the active, growing domestic market.

ETAP has had good results in new reservoir objectives in the Gulf of Hamamet which should spur exploration there. Marathon's Zarzis finds were in new geological horizons, which ETAP thinks should reawaken interest in previously explored concessions.

Joan Wucher King

DIARY DATES

Finance

TODAY
COMPANY MEETINGS-
Abaco Investments, Sailors Hall, Fore Street, E.C., 11.30
Abercom Group, Abercom House, Oxford Park, Sandton, 9.30
New Cavendish Estates, 1 Crown Court, Cheapside, London E.C., 10.30
BOARD MEETINGS-
Finals;
Burgess group
Pict Petroleum
Interims;
Associated British Foods
Coloroll
Hunting Associated Industries
Schroder Money Funds
Swindon Private Hospital
TR Ind. and Gen. Tst.
Unit Group
DIVIDEND & INTEREST PAYMENTS-
APV Baker 3.15% Cum. Prf. 1.575p
Do. 4.55% Cum. Prf. 2.275p
Do. 5.25% Cum. Prf. 2.625p
ASD 4.5p
Abbeycrest 0.65p
Ablecot 1p
American Information Tech. 125cts.
American Telephone & Telegraph 30cts.
Banro Industries 1.9p
Do. 5% Prf 2.5p
Bell Atlantic 98cts.
Bellsouth 55cts.
Bowater 5.25p
British Aerospace 5.9p
Brixton Estate 3p
Burtzl 2 1p
Card(A.) & Sons 0.5p
F.& C. Pacific Investment Trust 0.3p
Federated Housing 1.7p
Fields (Mrs) 1.8cts.
Great Southern Grp. 2p
Guinness 3p
Hospital Corp. of America 18cts.
Intereurope Technology Services 4.4p
Kershaw(A.) & Sons 4.75p
Do. B Prf(12½% Non-Cum) 1.96875p
Lamont Hldgs. 6% Cum Prf 1.05p
Do. 10% 3rd Cum Prf 5p
Do. 5.6% 2nd Cum Prf 2.8p
M6 Cash & Carry 1.06p
Metal Closures 2.2p
Miss World Grp. 2p
NYNEX 95cts
Newman Industries 0.5p
Noble & Lund 0.5p
North American Trust 3½% Cum Prf 1.75p
Ocean Transport & Trading 3.34p
Pacific Telesis 41cts.
Pearson 6p
Pentland Industries 0.135p
Plessey 3.407p
Powerline International 1p
Rank Org. 7.25p
Schroder Global Trust 5% Cum Prf 1.75p
Sherwood Computer Services 1.5p
Technology Project Service 1.34p
Top Value Inds. 1p
Torchmark 25cts.
Trade Indemnity 2.2p
Tyne Tees Television 7.5p
US WEST 82cts.
Union Int 7% Cum Prf 2.45p
United Newspapers 7p
Warmoughs 2p

TOMMOROW
COMPANY MEETINGS-
Bryant Hldgs, Cranmore House, Cranmore Boulevard, Solihull, West Midlands, 12.30
Lee International, Ladbroke Hall, 85 Barlby Road, W., 10.00
MAI, Glaziers Hall, 9 Montague Close, London Bridge, S.E., 12.00
NESCO Investments, Friendly House, 21-24 Chiswell Street, London, E.C., 10.00
BOARD MEETINGS-
Finals;
Cramphorn
Interims;
Hambros Inv. Tst.
York Mount
DIVIDEND & INTEREST PAYMENTS-
Anglo American Gold Investment 207.07547p
Beattie(James) A 1p
Berkeley Govett 4cts.
Cambridge Electronic Inds. 2.4p
Executex Clothes 1.5p
Kleinwort Smaller Co's Inv. Tst. 3.35p
London & St Lawrence Inv. 1.45p
Treasury 12% 1987 6pc
Treasury 15¼% Ln 1996 7⅝pc

WEDNESDAY NOVEMBER 4
COMPANY MEETINGS-
Bellwinch, The Institute of Directors, 116 Pall Mall, London, S.W., 12.00
Centers, 164-170 Queens Road, Sheffield, S., 12.30
Consolidated Gold Fields, Hotel Inter-Continental, Grand Ballroom Entrance, 1 Hamilton Place, London, W., 11.00
Industrial Finance & Investment Corp., The Chartered Insurance Institute, 20 Aldermanbury, London, E.C., 12.00
Polypipe, The Howard Hotel, Temple Place, Strand, London, W., 12.00
BOARD MEETINGS-
Finals;
Alva Investment Trust
Metallic Hygrade Gold Mines
Interims;
German Smaller Companies Inv. Tst.
Reed Intl.
Sketchley
Smallbone
DIVIDEND & INTEREST PAYMENTS-
Antofagasta Hldgs 2p
Associated British Ports 2.5p
Citygrove 1.5p
Colorgraphic 1.33p
Continental Microwave 1.8p
De Beers Consolidated Mines Dfd 8.12713p
Hewitt(J.) & Son(Fenton) 1p
Industrial Finance & Inv Corp 2p
Lee International 2.3p
New Zealand 11¼% 2008 5⅝pc
Plasmec 1p
Refuge Group 5.75p
Thessis Company 2p
Woolworth 3p

THURSDAY NOVEMBER 5
COMPANY MEETINGS-
Armstrong Equipment, National Exhibition Centre, Birmingham, 12.00
Baldwin, 100 Fetter Lane, London, E.C., 10.00
Castle Communications, Tower Thistle Hotel, Katharines Way, E., 12.00
Dowding & Mills, Chamber of Commerce, 75 Harborne Road, Birmingham, 12.00
Interlink Express, Savoy Hotel, The Strand, W.C., 12.00
BOARD MEETINGS-
Finals;
Dale Simpson
Five Oaks Investments
Fleming Far Eastern Inv. Tst.
Keystone Invs.
Interims;
British Inv. Tst.
British Borneo Petroleum Syndicate
Electrocomponents
Grampian Television
Hanover Druce
MK Electric
Miller (Stanley)
Multitrust
Westbury
Windermoor
DIVIDEND & INTEREST PAYMENTS-
Albany Investment Trust 0.65p
Bank of Scotland 6.6p
Barclays Overseas Inv JunGtdUndatedFlgRateNts $194.86
Benchmark 0.875p
British Petroleum 4.5p
British Syphon Industries 1.84p
Cantors 2p
Do. A Non.V 2p
Castle Comms. 4p
Christiania Bank Og Kreditkasse Prim Cap Und FRN $366.53
Cory(Horace) 0.35p
Credit National 13½% Gtd Nts 1988 6¾pc
Do. 13½% Gtd Nts 1993 6¾pc
Dowding & Mills 1.12p
European Home Products 2p
Hall Engineering 4.8p
Hydro Quebec Flg Rate Nts Sers FV May 2005 $64.06
Investment Trust of Guernsey 0.55p
Jos Hldgs 2.71p
Macallan-Glenlivet 1.1p
Minerals & Resources 20cts.
Polypipe 2.08p
Shell Transport & Trading 16.5p
Sigmex Int. 1.06p
Stewart & Wight 37.5p
Tor Investment Trust 11.88p
Do. Cap 1.748p
Wilkes(James) 3.3p
Wills Group 2p
Wilson Bowden 1.3p

FRIDAY NOVEMBER 6
COMPANY MEETINGS-
LDH, Westmorland Hotel, St. Johns Wood, N.W., 12.00
Oceana Consolidated Company, Park House, 16 Finsbury Circus, London, E.C., 12.00
Parker Knoll, Waldorf Hotel, Aldwych, London, W.C., 12.30
Walker (Thomas), Midland Hotel, New Street, Birmingham 12.00
BOARD MEETINGS-
Finals;
Low (William)
Interims;
Aquascutum
Henderson Administration
Hunting Group
Renold
DIVIDEND & INTEREST PAYMENTS-
Ash & Lacy 12p
Bermuda International Bond Fund 30cts.
Bracken Mines 30cts.
Bridon 1.5p
Brixton Estate 7¾% 1st Mtg Deb 87/92 3⅞pc.
Cadbury Schweppes 8¼% 1st Mtg Deb 94/2004 4⅛pc.
Central Independent Television 5p
Clondalkin Group 1.247p
Connells Estate Agents 2.5p
Courtaulds 6% Cum Red 2nd Prf 2.1p
Do. 6½% Uns Ln 94/96 3¼pc.
Do. 7½% Uns Ln 94/96 3¾pc.
Delta Group 10¾% Deb 95/99 5⅜pc.
Gabicol 2.2p
Gartmore European Inv. Trust 2.25p
Grampian Hldgs 1.25p
Halifax Building Society Flg Rate Ln Nts 1994 £118.62
Hall(Matthew) 1.875p
Harmony Gold Mining 34.09614p
Highcroft Investment Trust 1.1p
Interlink Express 3.5p
Ipeco Hldgs 1p
Jaguar 3.7p
Kinross Mines 200cts.
Kleinwort,Benson,Lonsdale 5.3p
Laporte Industries 4.4p
Leslie Gold Mines 20cts.
London & Metropolitan 1.5p
London Merchant Securities 2p
McLaughlin & Harvey 2.5p
Metal Box 10½% Uns Ln 82/87 5¼pc.
Myson Group 2p
Oceana Consolidated 1.1p
Rentokil Group 1.2p
Royal Bank of Scotland Flg Rate Nts 2005 £118.15
Tilling(Thomas) 8½% Uns Ln 89/94 4¼pc.
Transport Development Grp. 2.25p
Unisel Gold Mines 70cts.
Usher (Frank) Hldgs 2p
Vickers 2.7p
Whitbread 7¼% Uns Ln 95/99 3⅝pc.
Willis Faber 3.85p
Winkelhaak Mines 165cts.

SATURDAY NOVEMBER 7
DIVIDEND & INTEREST PAYMENTS-
BBA Group 10% Deb 89/94 5pc.
Blue Circle Inds. 10¼% Deb 94/99 5⅛pc.
Conversion 9¾% 2003 4⅞pc.
McLeod Russel Hldgs 3p
Parker Knoll 13p
Do. A Non.V 13p
Thorn EMI 5% Uns Ln 2004/09 2½pc.
Do. 7½% Uns Ln 89/92 3¾pc.
Do. 7¾% Uns Ln 2004/09 3⅞pc.
Do. 8½% Uns Ln 89/94 4¼pc.
Treasury 10½% Cnv 1992 5¼pc.
Unisys Corp. 23cts.
Walker(Thomas) 0.95p

SUNDAY NOVEMBER 8
DIVIDEND & INTEREST PAYMENTS-
Nottingham Corp. 3% (Irrd) Gas Anns £1.625
Tioxide Group 11½% Uns Ln 91/96 5¾pc.
Treasury 3% 1990 1.5pc.

Trade Fairs and Exhibitions:UK

November 3-5
International Financial Services, Technology and Accountants Exhibition (01-749 9535)
Barbican Centre

November 3-7
International Plastics Exhibition - INTERPLAS (021-705 6707)
NEC, Birmingham

November 5-8
London Money Show - MONEY (01-948 5166)
Olympia

November 8-10
Camping and Outdoor Leisure Exhibition -COLA (08956 34191)
Exhibition Centre, Harrogate

November 10-12
Drives,Motors, Controls and PC+ Systems Exhibitions (0799 26699)
NEC, Birmingham

November 12-22
Scottish Motor Show (031-225 3643)
Exhibition Centre, Glasgow

November 17-20
The Complete Computer Systems Show - COMPEC '87 (01-891 5051)
Olympia

November 22-28
International Building and Construction Exhibition (01-486 1951)
NEC, Birmingham

December 1-3
International Trade and Services Exhibition and Conference - EXPORT (01-727 1929)
Business Design Centre,London

December 1-5
World Travel Market Exhibition (01-940 6065)
Olympia

Parliament

TODAY
Commons: Social Security Bill, second reading.
Lords: Criminal Justice Bill, committee.

TOMORROW
Commons: Employment Bill, second reading. Motions on data protection orders.
Lords: Criminal Justice Bill, committee.

WEDNESDAY
Commons: Urban Development Corporations (Financial Limits) Bill. Remaining stages of the Norfolk and Suffolk Broads Bill.
Lords: Debate on the report by the group on the working of the house followed by question on Government policy concerning agricultural research and development.

THURSDAY
Commons: Opposition debate on a motion entitled The Economic Consequences of the Collapse in the Financial Markets.
Lords: Aberdeen Harbour Order confirmation Bill, report. Farmland and Rural Development Bill, second reading. Sunday Sports Bill, committee.

FRIDAY
Commons: Debate on Government initiatives on crime prevention.

Business and Management Conferences

November 1-3
CBI National Conference (01-379 7400)
Glasgow

November 3-4
Kluwer Questmere Conferences: Financing UK Exports and Projects - changing Government support & alternative funding techniques (01- 568 6441)
Empire Conference Suite, London

November 4-5
Acquisitions Monthly: How to buy and sell companies (01-637 4383)
Inn on the Park, W1

November 5
The Institute of Directors : UK companies: the revenue offensive(01- 839 1233)
116 Pall Mall, SW1

November 5-6
Second Royal Institute of International Affairs/CICI International Information Conference: Day 1 - Information products as a stimulus to business growth; Day 2 - The development of Europe's new information markets (01-930 2233)
Chatham House, SW1

November 5
British Overseas Trade Group for Israel: British financial services to Israel symposium (01-638 9537)
City of London

November 9
CBI: HIGH STREET 2000 - a consortium conference looking at the future of high street retailing (01- 379 7400)
Centre Point, London

November 10
Institute of Directors: Coping with growth - directing the expansion of your business (01-839 1233)
116 Pall Mall, London

November 16-17
Financial Times: World electricity (01- 925 2323)
Hotel Inter-Continental, London W1

November 19
The Royal Institute of International Affairs/ American Chamber of Commerce (UK): Strategic export controls - Military security, corporate self-interest and commercial policy - Can conflicting goals be reconciled ? (01- 930 2233)
Chatham House,London SW1

November 20
Business Briefings: Business Expansion Scheme (01- 381 1284)
Glaziers Hall, SE1

November 24
The Henley Centre: The UK economy - the next five years (01-353 9961)
Cavendish Conference Centre

November 24
The Institute of Taxation: Tax planning for individuals and trusts (01- 235 9381)
RAF Club, W1

November 26
Leasing Digest Conferences: Looking forward with hindsight (01-236 3288)
Grosvenor House Hotel, W1

November 26-27
Central Computer and Telecommunications Agency, HM Treasury: European conference on the use of knowledge-based and expert systems in government (01-868 4466)
Gatwick Hilton Hotel

December 1
National Economic Development Office - Consumer Electroniucs EDC: Automating the home.......now and tomorrow (0273 722687)
Royal Garden Hotel, London

December 1-2
Financial Times: World Telecommunications (01- 925 2323)
Hotel Inter-Continental, W1

December 1
Waters Information Services: Technology issues in 24-hour trading (NY 607- 772 8086)
Hotel Parker Meridien, New York City

December 3-4
Financial Times / British Venture Capital Association: Venture capital financial forum (01-925 2323)
Hotel Inter-Continental, W1

December 9-10
Institute for International Research (two one-day conferences): Cutting your trading costs through effective risk management and settlement procedures; Can technology develop and improve your dealing activities and investment decisions? (01-434 1017)
Noga Hilton, Geneva

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no changes in the details published

Overseas

November 12-14
Brewer and Beverage Industries Trade Exhibition - BRAU (01-930 7251)
Nuremberg

November 16-20
International Electronic Components Exhibition - COMPOSANTS ELECTRONIQUES (01-225 5566)
Paris

November 17-21
Machine Tools Exhibition - FINNTEC (01-486 1951)
Helsinki

November 17-21
Furniture and Woodworking Machinery Show (01-379 0765)
Taipei

Rentals

Public Notices

WANDSWORTH BOROUGH COUNCIL
Installation of central heating at Ashburton Estate, Westleigh Avenue, London, SW15

Contractors wishing to be considered for selection to tender for the installation of individual gas fired boilers serving radiators and domestic hot water to ...

Company Notices

RAND MINES LIMITED
DIVIDEND DECLARATION

Notice is hereby given that dividend No. 96 of 330 cents per share has been declared in South African currency, as a final dividend in respect of the year ending 30 September, 1987, payable to members registered at the close of business on 27 November, 1987 and to persons presenting the appropriate coupon (No. 96) detached from a share warrant to bearer. The dividend on a share warrant to bearer will be paid in terms of a further notice to be published by the company's United Kingdom registrars, transfer and paying agents. The register of members will be closed from 28 November to 6 December, 1987, inclusive. Dividend warrants will be posted on or about 4 January 1988.

The rate of exchange to which the dividend will be converted into United Kingdom currency for payment by the United Kingdom registrars, transfer and paying agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 28 November, 1987, on which foreign currency dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the Johannesburg or United Kingdom offices of the company.

By order of the Board,
RAND MINES (MINING & SERVICES) LIMITED,
Secretaries,
per F D W PEACHEY.

REGISTERED OFFICE:
15th Floor – The Corner House
63 Fox Street
Johannesburg 2001
(PO Box 62370, Marshalltown, 2107).

SECRETARIES IN THE UNITED KINGDOM:
Charter Consolidated Services Limited
40 Holborn Viaduct
London EC1P 1AJ.

UNITED KINGDOM REGISTRARS, TRANSFER AND PAYING AGENTS:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL.

29 October, 1987.

(Incorporated in the Republic of South Africa)
Registration No. 01/00858/06

RM
Member of the Barlow Rand Group
RAND MINES
BREAKING NEW GROUND EVERY DAY.

Continental (Bermuda) Limited

U.S.$250,000,000
Floating Rate Notes due 2006
Guaranteed by Hungarian Foreign Trade Bank Ltd.

NOTICE IS HEREBY GIVEN that as at the valuation date, 28th October, 1987, the value of the zero-coupon obligations (or certificates representing interests in obligations) of the United States of America was U.S.$46,669,900.00 and the value of the Company's reserve fund was U.S.$41,106,709.38 the aggregate value of the Noteholders' security was thus 35.11 per cent of the principal amount of the Notes outstanding at the valuation date.

The determination and publication of these figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as a recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund investments.

Valuation Agent
Girozentrale und Bank der Osterreichischen Sparkassen Aktiengesellschaft

THE BRITISH POLIO FELLOWSHIP
Bell Close, West End Road
Ruislip, Middlesex HA4 6LP
(The Infantile Paralysis Fellowship, registered as a charity in accordance with the National Assistance Act 1948)

As required by the Regulations governing Permits the Fellowship announces the result of the Flag Days and House to House Collections held in July and September 1987 as follows—

Metropolitan Police Area:—	
Income	20,934.22
Expenses	633.08
Net result	£20,301.14
City of London Police area:—	
Income	7,358.90
Expenses	218.76
Net result	£7,140.14

The British Polio Fellowship records its earnest gratitude to the general public for their generous support and its appreciation to all collectors who made these voluntary efforts possible.

OK BAZAARS (1929) LIMITED
(Incorporated in the Republic of South Africa)

NOTICE TO
6% SECOND CUMULATIVE PREFERENCE SHAREHOLDERS
DIVIDEND NUMBER 98

NOTICE IS HEREBY GIVEN that the half-yearly dividend of 3% has this day been declared payable on 30 November 1987, in the currency of the Republic of South Africa, to all holders of 6% Second Cumulative Preference Shares registered in the books of the Company at the close of business on 13 November 1987.

The usual non-resident shareholders' tax of 15% will be deducted where applicable.

The Register of Members will be closed in Johannesburg and London from 14 to 22 November 1987, both dates inclusive, for the purpose of the above dividend.

By Order of the Board
P. E. KRITZINGER
Secretary

Registered Office:
OK Buildings
80 Eloff Street
Johannesburg 2001

Transfer Secretaries:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

26 October 1987

RAND MINES LIMITED
(Formerly Transvaal Consolidated Land and Exploration Company Limited ("TCL"))
(Incorporated in the Republic of South Africa)
Registration No. 01/00654/06

CHEMICAL NEW YORK CORP
US$300,000,000 FLOATING RATE SENIOR NOTES DUE 1999

AGENT BANK
CHEMICAL BANK

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 30 1987					THURSDAY OCTOBER 29 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	99.26	+1.9	85.46	97.84	3.99	97.40	83.93	97.30	180.81	97.40	91.23
Austria (16)	94.39	+1.1	81.26	84.89	2.45	93.33	80.43	84.13	102.87	85.53	92.18
Belgium (48)	102.15	+5.2	87.95	91.57	5.19	97.14	83.71	86.96	134.89	96.19	88.73
Canada (128)	105.12	+5.5	90.51	100.14	2.98	99.66	85.88	95.08	141.78	98.15	98.86
Denmark (38)	107.12	+1.4	92.23	97.28	3.05	105.65	91.04	95.80	124.83	98.18	94.89
France (121)	86.67	+3.2	74.62	79.84	3.49	84.01	72.39	76.76	121.82	79.10	93.09
West Germany (93)	82.66	+6.6	71.17	74.26	2.56	77.58	66.85	69.69	104.93	77.58	91.29
Hong Kong (46)	85.53	+0.4	73.63	85.69	5.66	85.17	73.39	85.35	158.68	85.17	89.83
Ireland (14)	111.86	+2.8	96.31	102.79	4.40	108.81	93.77	99.62	160.22	99.50	83.16
Italy (95)	79.52	+3.7	68.46	75.83	2.55	76.66	66.06	72.23	112.11	76.66	100.71
Japan (458)	134.44	+3.8	115.75	117.57	0.58	129.46	111.56	113.05	161.28	100.00	87.11
Malaysia (36)	105.95	+2.2	91.22	102.61	3.56	103.70	89.36	100.22	193.64	98.24	105.65
Mexico (14)	231.55	+4.6	199.36	416.21	0.72	221.35	190.74	396.91	422.59	99.72	85.83
Netherland (37)	101.44	+5.1	87.34	89.94	4.99	96.50	83.15	85.55	131.41	94.77	92.93
New Zealand (23)	86.53	+1.7	74.50	77.95	3.83	85.06	73.29	76.87	138.99	83.93	86.78
Norway (24)	124.54	+6.7	107.23	110.85	2.47	116.74	100.60	103.87	185.01	100.00	101.77
Singapore (27)	95.71	+6.1	82.40	91.30	2.62	90.19	77.72	86.00	174.28	90.19	106.35
South Africa (61)	130.14	+1.5	112.05	101.63	4.05	128.27	110.54	101.98	198.09	100.00	91.61
Spain (43)	122.39	+6.1	105.37	106.63	3.75	115.39	99.43	101.40	168.81	100.00	86.38
Sweden (34)	105.66	+8.2	90.97	96.87	2.36	97.70	84.19	89.60	136.64	90.85	100.68
Switzerland (53)	85.31	+4.7	73.45	75.61	2.19	81.49	70.22	72.42	111.11	80.90	90.60
United Kingdom (333)	122.98	+3.9	105.88	105.88	4.30	118.36	101.99	101.99	162.87	99.65	92.34
USA (583)	102.99	+3.2	88.67	102.99	3.55	99.85	86.04	99.85	137.42	92.83	101.53
Europe (949)	102.05	+4.5	87.86	90.38	3.70	97.66	84.16	86.42	130.02	97.63	92.84
Pacific Basin (680)	131.28	+3.7	113.02	115.70	0.79	126.56	109.06	111.43	158.77	100.00	87.43
Euro–Pacific (1629)	119.63	+4.0	103.00	105.60	1.79	115.04	99.13	101.46	143.65	100.00	89.57
North America (711)	103.10	+3.3	88.77	102.85	3.52	99.83	86.02	99.60	137.55	93.20	101.39
Europe Ex. UK (616)	89.07	+5.0	76.68	80.77	3.18	84.82	73.10	76.75	111.97	84.82	92.73
Pacific Ex. Japan (222)	93.05	+1.6	80.12	91.42	4.42	91.55	78.90	90.60	164.03	91.55	90.46
World Ex. US (1832)	119.31	+4.0	102.72	105.57	1.85	114.71	98.85	101.44	143.38	100.00	89.92
World Ex. UK (2082)	112.00	+3.7	96.43	104.67	2.25	108.03	93.09	100.89	138.82	100.00	94.65
World Ex. So. Af. (2354)	112.86	+3.7	97.17	104.74	2.44	108.81	93.76	100.92	139.47	100.00	94.46
World Ex. Japan (1957)	102.70	+3.6	88.42	98.25	3.62	99.12	85.41	94.85	134.22	96.44	97.96
The World Index (2415)	112.97	+3.7	97.26	104.74	2.45	108.93	93.87	100.96	139.73	100.00	94.44

Base values: Dec 31, 1986 = 100

New York market closed at 14.00hrs. local time October 29 and 30.

Constituent changes: The following stocks have been deleted .Brown (Matthew)(U.K),Equity & Law (U.K),Vuitton (Louis)(France),Traders Group (U.S).

BASE LENDING RATES

	%		%		%
ABN Bank	9½	● Charterhouse Bank	9½	Nat Bk. of Kuwait	9½
Adam & Company	9½	Citibank NA	9½	NatWestminster	9½
Allied Arab Bk Ltd	10	City Merchants Bank	9½	Northern Bank Ltd	9½
Allied Dunbar & Co	9½	Clydesdale Bank	9½	Norwich Gen. Trust	9½
Allied Irish Bank	9½	Comm. Bk. N. East	9½	PK Finans. Intl (UK)	10
American Exp. Bk	9½	Consolidated Cred	9½	Provincial Trust Ltd	11
Amro Bank	9½	Co-operative Bank	* 9½	R. Raphael & Sons	9½
Henry Ansbacher	9½	Cyprus Popular Bk	9½	Roxburghe G'rantee	10½
ANZ Banking Group	9½	Duncan Lawrie	9½	Royal Bk of Scotland	9½
Associates Cap Corp	10	Equat'r'l Tst C'p plc	10	Royal Trust Bank	9½
Authority & Co Ltd	9½	Exeter Trust Ltd	10	Smith Williamson Secs	9½
Banco de Bilbao	9½	Financial & Gen. Sec	9½	Standard Chartered	9½
Bank Hapoalim	9½	First Nat. Fin. Corp	10½	TSB	9½
Bank Leumi (UK)	9½	First Nat. Sec. Ltd	10½	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9½	● Robert Fleming & Co	9½	United Bk of Kuwait	9½
Bank of Cyprus	9½	Robert Fraser & Ptrs	10½	United Mizrahi Bank	9½
Bank of Ireland	9½	Girobank	9½	Unity Trust PLC	9½
Bank of India	9½	Grindlays Bank	9½	Western Trust	10
Bank of Scotland	9½	● Guinness Mahon	9½	Westpac Bank. Corp	9½
Banque Belge Ltd	9½	HFC Trust & Savings	9½	Whiteaway Laidlaw	10
Barclays Bank	9½	● Hambros Bank	9½	Yorkshire Bank	9½
Benchmark Tst Ltd	9½	Heritable & Gen. Tst	9½		
Beneficial Trust Ltd	11	● Hill Samuel	§ 9½		
Berliner Bank AG	9½	C. Hoare & Co	9½		
Brit Bk of Mid East	9½	Hongkong & Shangh	9½		
Brown Shipley	9½	Lloyds Bank	9½		
Business Mtge Tst	10	Meghraj & Sons Ltd	9½		
CL Bank Nederland	9½	Midland Bank	9½		
Central Capital	9½	● Morgan Grenfell	9½		
Cayzer Ltd	9½	Mt Credit Cpn Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.49%. Mortgage 11.125%.

Company Notices

OK BAZAARS (1929) LIMITED
(Incorporated in the Republic of South Africa)

DECLARATION OF DIVIDEND

NOTICE IS HEREBY GIVEN that interim dividend number 112 at the rate of 24 cents per share in respect of the financial year which commenced on 1 April 1987 has this day been declared payable on 28 December 1987, in the currency of the Republic of South Africa, to all holders of Ordinary Shares registered in the books of the Company at the close of business on 13 November 1987. Non-resident shareholders' tax of 15 per cent will be deducted where applicable.

The Registers of Members will be closed in Johannesburg and London from 14 November 1987 to 21 November 1987, both days inclusive, for the purpose of the above dividend.

Copies of the Interim Statement will be despatched to shareholders and will be available at the office of the London Transfer Secretaries:— 6 Greencoat Place, London, SW1P 1PL.

By order of the Board
P. E. KRITZINGER, Secretary

Registered Office:
OK Buildings,
80 Eloff Street,
Johannesburg 2001.
26 October 1987

Transfer Secretaries:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London SW1P 1PL.

OFFICIAL NOTICE

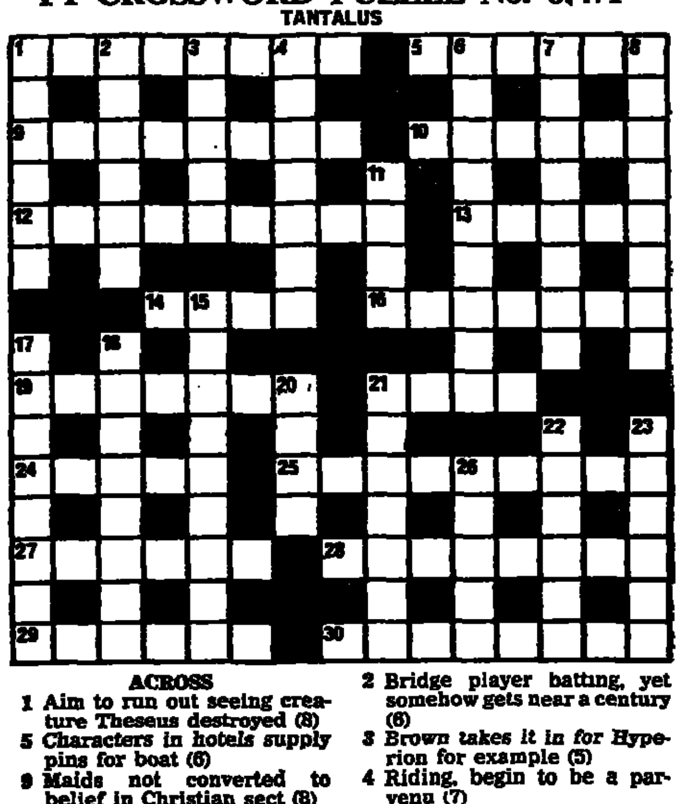
The loss has been reported to us of the London Metal Exchange Warrant No 469077 covering 25 Bundles ASV Brand Aluminium Ingots 99.7%, Nett weight: 24915 Kilos.

Anyone claiming title to these goods is invited to enter protest by means of a Summons against the delivery of these goods or the issuing of a substitute warrant.

C. STEINWEG,
Willemskade 20,
Rotterdam 2,
Netherlands.

FT CROSSWORD PUZZLE No. 6,471

TANTALUS



ACROSS

1 Aim to run out seeing creature Theseus destroyed (8)
5 Characters in hotels supply pins for boat (6)
9 Maids not converted to belief in Christian sect (8)
10 Fundamental right to have a text book (6)
12 Servant to look after worker (9)
13 Single sorcerer is an idol (5)
14 Leave out nothing with German! (4)
16 Prince and former PM detailed for idle chat (7)
19 Once sat uncovered (7)
21 Almost perfect thought (4)
24 First leader (5)
25 Type of joint affecting everybody? (9)
27 Two articles may start song of praise (6)
28 The French bird due perhaps to get the range (8)
29 Commerce accepts one long angry speech (6)
30 Being deferential, always rejected payment (8)

DOWN

1 Insane artists in India (6)
2 Bridge player batting, yet somehow gets near a century (6)
3 Brown takes it in for Hyperion for example (5)
4 Riding, begin to be a parvenu (7)
6 Ascetic has time for French wine (9)
7 Thrash young sheep out east (8)
8 Find soft silk as going up to new centre (8)
11 Render impassable way to work (4)
15 Selfmade I surprisingly become a poet (9)
17 Writer—sing with decided taste! (8)
18 Athlete has endless season on terrace (8)
20 The same old city is grim (4)
21 A time it takes to copy? (7)
22 Repair statue—that's shrewd (6)
23 Watch-chain for boy (6)
26 Some feel it essential to be upper-class (6)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	286	16	208	32	5	44.50	$469.50
GOLD C	$480	260	6.50A	11	22.50A	—	—	"
GOLD C	$500	24	2.50	102	14.50	5	27	"
GOLD C	$520	31	2	4	10.50	—	—	"
GOLD P	$380	34	0.30	—	—	—	—	"
GOLD P	$420	—	—	1	7.50	35	8.50	"
GOLD P	$440	14	2.50	20	11.50	90	13	"
GOLD P	$460	—	—	929	16.50	20	20.50	"
		Dec. 87		Mar. 88		Jun. 88		
SILVER C	$700	39	50	1	90	—	—	$705
SILVER C	$800	20	16	—	—	—	—	"
SILVER P	$750	25	65	—	—	—	—	"
SILVER P	$900	10	230	—	—	—	—	"
		Nov. 87		Dec. 87		Jan. 87		
$/FL C	FL195	20	3	6	3.80	—	—	FL194.53
$/FL C	FL200	9	1.50	312	1.90	20	2.80	"
$/FL P	FL190	—	—	446	2.50	27	2.80	"
$/FL P	FL195	195	3	280	4.10	10	4.80B	"
$/FL P	FL200	213	5.70	122	6.80	—	—	"
$/FL P	FL205	5	10	240	10.80	—	—	"
		Mar. 88		June 88		Sep. 88		
$/FL C	FL190	1	8.80	—	—	16	10	FL194.53
$/FL C	FL195	80	5	10	7.20	10	8	"
$/FL C	FL200	2	3.50	13	4.40	6	5.80	"
$/FL C	FL205	3	2.50	10	3.20	—	—	"
$/FL P	FL195	16	6.60	1	9	15	10.50B	"
$/FL P	FL200	20	9.80	—	—	—	—	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	FL48	10	0.70	—	—	—	—	FL39.50
AHOLD C	FL70	102	6.80	—	—	—	—	FL69.50
AHOLD P	FL70	54	7.30	20	8	1	8.50	"
AKZO C	FL120	639	12	18	16	25	18.70	FL120
AKZO P	FL110	304	6.70	19	10.50	25	13.50	"
AMEV C	FL45	83	3.60B	5	4.50A	11	5	FL42.90
AMEV P	FL60	10	19	50	19.50A	—	—	"
AMRO C	FL65	226	3.40	58	5.20	2	5.50	FL62.70
AMRO P	FL60	75	3	10	5.40	—	—	"
ELSEVIER C	FL50	209	2.20	54	3.80	15	4.20	FL44.40
GIST-BROC. C	FL40	88	2.10	33	4.20	—	—	FL35.60
GIST-BROC. P	FL35	90	3.10	—	—	1	3	"
HEINEKEN C	FL140	142	11.90	10	15	2	19	FL139
HOOGOVENS C	FL45	66	1.10	—	—	—	—	FL34.50
KLM C	FL40	396	2.90	79	4.20	14	4.80	FL35.10
KLM P	FL55	145	20	29	21.50	—	—	"
NEDLLOYD C	FL140	65	13.50	—	—	—	—	FL139.90
NAT NED C	FL65	108	1.50	—	—	—	—	FL58.20
NAT NED P	FL50	89	3.90	5	5	12	6	"
PHILIPS C	FL40	702	2	513	3	70	3.20	FL35.10
PHILIPS P	FL40	376	6.80	96	8	62	9	"
ROYAL DUTCH C	FL220	880	14.50	16	21	—	—	FL215.90
ROYAL DUTCH P	FL240	369	27	16	32	15	36.50	"
ROBECO C	FL100	18	2.50	53	4	—	—	FL86.10
ROBECO P	FL80	32	40	10	5.50	—	—	"
UNILEVER C	FL128	242	4.30	—	—	—	—	FL111.50
UNILEVER P	FL100	377	5.10	21	8.50	16	12.50	"

TOTAL VOLUME IN CONTRACTS: 42,790

A=Ask B=Bid C=Call P=Put

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§130	F.P.	20/11	170	103	Alba 10p	106	+3	L3.8	2.2	4.9	10.5
§61	F.P.	—	96	61	‡Amer Plast.Inc. $0.01	75	+10	R02.5c	4.6	2.5	10.6
175	F.P.	6/11	240	160	Anglo Leasing 10p	168	+8	L2.6	1.9	2.17	12.2
**	F.P.	23/10	27	17	Atlantic Assets Wrnts	17	......	—	—	—	—
§105	F.P.	6/11	160	103	‡Banner Homes 10p	105	+2	R2.6	2.9	3.4	13.8
330	120	—	88	84½	Brit. Petroleum 85	85	......	N12.5	1.5	5.8	14.6
70.3	F.P.	—	73	65	CDFC Trust 10p	66	......	—	—	—	—
§18	F.P.	—	26½	18½	‡Chartsearch 1p.	26½	+1½	R0.44	3.0	2.3	19.9
10	F.P.	11/12	14¼	7	EFM Dragon Trust 5p.	9	+2	—	—	—	—
‖‖	F.P.	—	268	243	English&Caledonian Inv.	238	−2	—	—	—	—
32	F.P.	30/10	50	29½	‡Explaura 5p	30	......	—	—	—	—
**	F.P.	—	67	38	First Spanish I.T. Wrnts	40	+2	—	—	—	—
¶¶	F.P.	—	93	88	Haden MacLennan 20p	93	......	1.9	1.5	2.8	—
**	F.P.	23/10	23	15	Independent Inv. Wrnts	15	......	—	—	—	—
§80	F.P.	—	148	96	ISA Intl. 5p	100	+4	R1.17	4.0	1.6	21.2
§60	F.P.	—	82	61	*Kemp (P.E.) 5p	61	......	—	—	—	11.5
§170	F.P.	—	191	170	Lloyd Thompson 5p	170	......	L4.3	2.1	3.5	18.5
§115	F.P.	—	128	78	‡Marcol 5p	78	−2	L2.3	2.1	4.0	16.5
	F.P.	—	98	55	Moorgate Inv. Warr.	70	......	—	—	—	—
§100	F.P.	—	108	103	NewGuernseySecurities	103	......	—	—	—	—
§10.58	F.P.	—	$21¼	$10½	Portugal Fund $0.01	$10½	−1½	—	—	—	—
§123	F.P.	—	111	80	Power Corp. Ir. £0.01	80	......	Q36.9	2.5	4.2	10.5
§88	F.P.	—	90	83	Record Hldgs 5p	83	......	R2.0	3.2	3.3	13.1
130	F.P.	20/11	253	178	Security Archives 20p	185	+7	R4.0	2.0	3.0	22.6
§180	F.P.	—	180	135	Shaftsbury £1	137	−1	—	—	—	—
250	F.P.	12/12	317	163	‡Stanhope Prop	193	+30	—	—	—	—
§20	F.P.	—	26	20	‡Tubular ExhibitionGr	26	+2	—	—	—	—
§87	F.P.	9/11	98	73	‡URS Intl. $0.01	73	......	R4.75	1.9	3.6	14.6
§60	F.P.	—	93	75	‡WSP Hldgs. 5p	76	+1	R1.4	3.0	2.5	17.9
‖‖	F.P.	—	28	16	Wilshaw Securities	28xr	+3xr	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
100	F.P.	20/11	106½p	88p	Allied Land. Props 5¾% Cv.Rd.Pf.	88p	−2
100	£10	21/1	14	10¼	Chester Wtr Wks 11¾pc Rd Db '98-2000	12p	......
§100	F.P.	—	129p	94p	Morrison (Wm) 5¼pc Cm Rd Pf	97p	+3
—	F.P.	—	100⅜	99¾	N'wide Anglia 10⅞ pc. 12.9.88	100⅜	......
—	F.P.	—	100½	99¾	Do. 10⅝ pc.26.9.88	113½	......
—	F.P.	—	100¾	100⅜	Do. 10⅜ pc.31.10.88	100⅜	......
‖	F.P.	—	109½	99½	Next 5¾% Cnv. 2003	100¼	......
100	F.P.	—	140p	136p	P & O 5.5% Rd.Nn.-Cm Pf £1	136p	......
§100	F.P.	—	115p	113p	Record Hldgs 10% Cm Rd Pf £1	114p	−1
100	F.P.	—	95p	93p	‡Shield Grp 5.84 pc Cv. Cm.Rd. Pf.	93p	......
—	Nil	—	1½pm	¼pm	Utd. Scientific 5½ pc. Cm. N-V Rd. Pf.	¼pm	......

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
500	Nil	—	263pm	65pm	A. C. Hldgs 5p	88pm	......
213	Nil	—	28pm	8¼pm	Birmingham Mint	8¼pm	......
5	Nil	—	35pm	15pm	‡Fletcher Dennys 5p.	35pm	+8
66	Nil	—	1¼pm	¼pm	Harmony Leis	¼pm	......
310	Nil	2/12	43pm	¾pm	Heywood Williams	¾pm	−¼
265	Nil	4/11	34pm	¼pm	‡Hunter Saphir	½pm	+¼
450	Nil	4/12	140pm	1½pm	Kleinwort Benson, L	3pm	−1
370	Nil	27/11	81pm	¼pm	Ladbroke 10p	½pm	+¼
70	Nil	11/12	9pm	3pm	Lanca 2½p	4pm	+1
385	Nil	—	43pm	2pm	Lilleshall	2pm	......
735	Nil	—	65pm	10pm	‡Local London	15¼pm	......
145	Nil	13/11	14pm	1pm	Martin (A) 20p	3pm	......
200	Nil	25/11	167pm	10pm	‡Pacific Sales 10p	10pm	......
380	Nil	—	40pm	3pm	Peachey Prop	3pm	......
80	Nil	—	460pm	265pm	Press Tools	285pm	+20
55	Nil	14/11	11pm	1½pm	Publishing Hldgs 5p	2½pm	......
400	Nil	20/11	86pm	2¼pm	Sketchley	2¼pm	−¼
30	Nil	—	30pm	15pm	Stonehill Hldgs	15pm	......
190	Nil	4/11	40pm	21pm	‡Tribble Harris	21pm	......
270	Nil	5/11	33pm	4pm	Wace Group 20p	4pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Dividend and yield based on prospectus or other official estimates for 1986/7. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. q Earnings based on preliminary figures. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ‡ Placing and offer for sale price. * Third Market. †Issued in £2 Units comprising 2 Ord Shares & 1 Warrant. (Exercisable at 50p into 1 Ord.) ♦With warrants

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	92.4	97.8	—	8.19
(Accum Units)	109.8	116.5	—	8.19
Global Fund	38.3	40.5	—	0.84
(Accum Units)	38.5	40.5	—	0.84
High Income Fund	42.2	44.8	—	5.42
(Accum Units)	43.3	45.8	—	5.42
High Interest Fund	45.4	48.0	—	9.09
(Accum Units)	46.8	49.5	—	9.09
Income	96.4	102.0	—	2.31
(Accum Units)	111.4	117.8	—	2.31
International	233.7	247.5	—	1.52
(Accum Units)	293.0	310.0	—	1.52
Japan	167.1	176.8	—	0.79
(Accum Units)	171.6	181.5	—	0.79
Pacific Fund	32.7	34.6	—	0.18
(Accum Units)	32.7	34.6	—	0.18
Recovery	233.6	247.1	—	1.84
(Accum Units)	255.9	270.7	—	1.84
UK Smaller Co's Fund	43.6	46.1	—	2.04
(Accum Units)	44.0	46.5	—	2.04

Merlin Fund Mngmt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Oct 28	510.5	518.05	—	1.30

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	53.3	56.6	+1.9	5.90
Accum Units	53.8	57.2	+1.3	5.24
UK Growth Fund Acc	47.1	50.0	+1.3	2.00
Global Income Fund	44.1	46.9	-0.4	4.26
Accum Units	44.1	46.9	-0.4	4.26
Global Growth Fund	36.9	39.2	+1.9	0.64

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	97.6	103.6	+2.5	1.48
(Accum Units)	135.0	143.5	+4.8	1.48
Commodity & Gen.	140.6	149.2	-0.6	1.81
(Accum Units)	202.4	214.7	+0.8	1.81
European Growth	97.45	103.4	-1.4	1.35
(Accum Units)	117.5	124.9	-1.7	1.35
Extra High Inc	65.5	69.5	+1	7.17
(Accum Units)	81.5	86.5	+1.5	7.17
Gilt & Fxd. Int.	54.4	56.9	-0.3	8.21
(Accum Units)	96.8	101.1	-0.4	8.21
High Yield	186.4	197.8	+4	4.89
(Accum Units)	329.6	349.8	+7.1	4.89
Income	198.6	210.8	+6.8	3.52
(Accum Units)	336.9	357.5	+11.6	3.52

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	99.5	105.6	+2.7	1.22
PM Income and Growth	89.5	95.3	+2.1	3.59
PM N American Growth	41.4	44.0	+2.8	0.48
PM European Growth	39.2	41.6	-1.1	0.49
PM Japan Growth	59.3	63.0	+1.1	0.02
PM Overseas Growth	42.7	45.4	+1.5	0.57

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst.	59.8	64.3	+4.4	0.50
Holborn Equity Income	60.9	65.4	+1.0	3.93
Holborn Equity Tst	449.0	482.7xd	+16.5	2.80
Holborn European Tst	89.1	95.5	-2.3	0.87
Holborn High Inc Tst	76.0	81.7xd	+0.4	5.28
Holborn Intl Grth Tst	92.0	98.9	+4.7	0.91
Holborn Intl Sm Co	38.9	41.3	+0.8	0.06
Holborn Japanese Tst	118.1	129.3	+6.8	0.05
Holborn N. Amer Tst	61.6	66.1	+3.7	0.71
Holborn Premier Inc	43.2	46.2	-0.2	7.53
Holborn Sm Cos Tst	62.4	67.0xd	+4.1	1.83
Holborn Spec Sits Tst	77.9	83.7	+7.5	1.83
Holborn UK Growth Tst	86.4	92.8	+6.0	2.10

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	522.6	553.1xd	-4.5	1.75
Quadrant Income	273.1	289.0	+6.4	4.58
Quadrant Intl. Fund	357.0	377.8	+6.7	1.33
Quadrant Spec. Sits	352.0	372.5	-5.4	1.56

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	188.0	199.9xd	+9.4	3.02
Reliance Unit Tst (Inc)	130.6	138.9xd	+4.5	1.90
Reliance Ut Tst (Acc)	176.8	187.9	+6.1	1.90

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	35.7	38.0xd	—	—

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2980/4

NC America (Inc)	228.1	242.6	+15.2	0.96
NC America (Acc)	251.9	267.9	+16.8	0.96
NC Inc Fd	96.9	103.0	+1.2	4.53
NC Japan Fd	176.9	188.1	+5.1	0.00

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Int.	235.2			—
Do. Accum	290.9			—
Guaranteed Int.	159.8			—
Do Accum.	197.6			—
International Intl.	351.6			—
Do Accum.	434.5			—
Index Lk. Gilt Int.	130.8			—
Do. Accum.	161.7			—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	379.8	+0.8	—
Property Pens.	450.0	+1.6	—
Equity	159.9	+1.0	—
Equity Pens.	671.4	+6.0	—
Money Market	310.8	+1.7	—
Money Mkt. Pens.	561.9	+3.3	—
Deposit	241.1	+0.1	—
Deposit Pens.	387.6	+0.3	—
Managed	255.6	+3.0	—
Managed Pens.	473.8	+6.1	—
Intl. Equity	261.7	-0.8	—
Do. Pens.	407.9	-1.3	—
Intl. Managed	248.6	+0.5	—
Do. Pens.	355.0	+1.1	—
North American	103.9	+3.6	—
Do. Pens.	116.0	+3.8	—
Far East	198.3	-5.7	—
Do. Pens.	280.0	-8.4	—
Intnl. Currency	163.2	+1.2	—
Do. Pens.	215.4	+1.5	—
Index Linked	124.0	-0.6	—
S & C Managed Fd.	109.8	-0.1	—
S & C Pens Mngd Fd.	86.0	-0.1	—
Bell Chambers	109.7	+0.4	—
Loran & Loran	120.8	+0.1	—
Mitton Mngd Fnd	157.1	+0.0	—
TrustBank Life Funds			
Per Worldwide Rec.	120.8	-0.5	—
Per Far East Growth	140.6	-7.9	—
Per Intl Growth	119.4	-1.9	—
Per Income	135.1	+2.5	—
Per Emerging Co's	105.1	-1.9	—
Per American Growth	99.4	-1.1	—
Per European Growth	96.8	-2.7	—
Fra American & Gen	72.3	-2.4	—
Fra Capital	150.0	-1.6	—
Fra Income	157.6	+0.8	—
Fra Intl Growth	89.9	-1.8	—
[illegible]	142.2	-2.9	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	49.1	51.7	+1.4	—
Stock Market Mngd Fund	46.9	49.4	+1.7	—
Equity Fund	52.0	54.8	+2.1	—
International Fund	42.4	44.7	+1.6	—
European Fund	43.7	46.0	...	—
North American Fund	37.1	39.1	+0.7	—
Pacific Fund	51.5	54.3	...	—
Property Fund	53.6	56.5	+0.3	—
Fixed Interest Funds	50.6	53.3	-0.3	—
Index Related Sec Fund	45.5	47.9	-0.3	—
Deposit Fund	51.8	54.6		—
NUAM Retirement Plans				
Mixed Fund	48.8	51.4	+0.5	—
UK Ordinary Share	54.2	57.1	+0.5	—
International Fund	40.9	43.1	+0.1	—
Property Fund	53.1	55.9	...	—
Fixed Interest Fund	53.0	55.8	+0.4	—
Index Linked Sec Fund	46.0	48.5		—
Deposit Fund	54.0	56.9		—
NUAM (IMF)				
Managed Fund	665.3	700.4	+18.2	—
Equity Fund	1343.5	1414.3	+52.0	—
Property Fund	333.8	351.4	+2.9	—
Fixed Interest Fund	372.7	392.4	-2.2	—
Deposit Fund	211.7	222.9		—
International Fund	110.1	115.9	+0.4	—
Index Linked Sec Fund	45.6	48.0	-0.3	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster* & Unit-Linked Plus*				
Fixed Interest Fund	248.7	261.7		—
Index-Linked Sec Fund	127.0	133.6		—
Ordinary Share Fund	490.5	516.3		—
International Fund	117.5	123.6		—
Property Fund	164.2	172.8		—
Deposit Fund	168.8	177.6		—
Mixed Fund	310.3	326.6		—
Norwich Units Oct.15		1047.9		

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Prop. Dist. (Gross)(z)	153.8	161.9		—
Prop. Acc. (Gross) (z)	249.2	262.4		—
Equity (Gross) (z)	572.5	602.7	+8.2	—
Managed (Gross) (z)	421.7	443.9	+4.6	—

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
3May	3Nov	Treas. 12pc 1987	[illegible]	28.9	—	—
26 Jul	26 Jan	Treas 7¼pc 1985-88‡‡	[illegible]	19.6	7.77	8.66
10Nov	10May	Exch 10½pc '88	[illegible]	5.10	10.42	9.04
14Dec	14Jun	Treas 9¾pc Cv '88	[illegible]	8.5	9.72	9.14
1Jan	1Jul	Transport 3pc '78-88	[illegible]	26.5	3.07	6.70
25 Apr	25 Oct	Treas. 9½pc '88	[illegible]	18.9	9.47	9.16
22 Aug	22 Feb	Treas 11½pc 1989	[illegible]	16.7	10.19	9.11
18 Oct	18 Apr	Treas 9½pc Cnv 1989	[illegible]	11.9	9.47	9.23
15Nov	15May	Treas 3pc 1989	[illegible]	9.10	3.17	6.80
14Dec	14Jun	Treas 10½pc 1989	[illegible]	8.5	10.31	9.21
1Feb	1Aug	Exch 10pc 1989	[illegible]	25.6	9.88	9.21
29 Mar	29 Sep	Exch 11pc 1989	[illegible]	24.8	10.68	9.21
15 Apr	15 Oct	Treas 5pc 1986-89	[illegible]	8.9	5.29	8.04
15 May	15 Nov	Exch 10¼pc Cv '89	[illegible]	9.10	9.87	8.17
15 Jul	15 Jan	Treas 13pc 1990‡‡	[illegible]	8.6	12.10	9.12
12 Aug	12 Feb	Exch 11pc 1990‡‡	[illegible]	16.7	10.62	9.15
22 Sep	22 Mar	Exch. 12½pc 1990	[illegible]	17.8	11.68	9.15
8 Nov	8 May	Treas. 3pc 1990	[illegible]	2.10	3.31	7.08
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	[illegible]	11.5	8.40	9.03
25 Apr	25 Oct	Treas. 10pc Cv 1990	[illegible]	18.9	9.82	9.25
22 May	22 Nov	Exch 2½pc 1990	[illegible]	16.10	2.85	6.72
10 July	10 Jan	Treas 11½pc 1991	[illegible]	5.6	11.03	9.24
5Oct	5Apr	Funding 5¾pc '87-91‡‡	[illegible]	1.9	6.27	8.58
13 Nov	13 May	Treas. 3pc 1991	[illegible]	7.10	3.43	7.11
12Jan	12July	Treas 10pc Cv '91 ‡‡	[illegible]	5.6	9.58	8.55
25Apr	25Oct	Exch. 11pc 1991	[illegible]	18.9	10.41	9.24
—		Treas. 8pc 1991	[illegible]	—		
22Jly	22Jan	Treas 12¾pc 1992‡‡	[illegible]	15.6	11.41	9.28
21Aug	21Feb	Treas 10pc 1992	[illegible]	15.7	9.76	9.26
13Oct	13Apr	Treas. 8pc 1992 ‡‡	[illegible]	—	8.70	10.25
7 Nov	7 May	Treas 10½pc Cv 1992‡‡	[illegible]	31.3	10.05	9.25
—		Treas. 3pc 1992	[illegible]	—	3.74	8.03

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Jan Apr Jly Oct	Rep NY Corpn $5	22¾	10.9	$1.16	—	3.2
Mar Jun S D	Rockwell Intl. $1	10[illegible]	14.5	66c	—	3.8
Oc Ja Ap Jly	Sara Lee $1	22[illegible]xd	13.00	$1.00	—	2.7
Mr Ju Se De	Saul (B. F.) $1	9¼	10.9	20c	—	1.3
Fb My Ag No	Southwestern Bell $1	22¾	7.7	$2.32	—	6.4
—	Staley Continental	11¼	—	80c	—	4.2
Mr Jn Se De	Sun Co. Inc. $1	29¼	5.8	$3.00	—	6.2
Ma Ju Se De	TRW Inc. $0.625	26¾	11.8	$1.60	—	3.7
Mr Jn Sp De	Tenneco $5	25¾	11.8	$3.04	—	7.4
June Dec	Do. 10pc Ln.Stk. 91-5	158xd	13.00	10%	—	14.7
Mr Je Se De	Texaco $6.25	17¼xd	31.7	$3.00	—	10.7
Mr Ju Se De	Time Inc. $1	47xd	22.8	$1.00	—	1.3
Ja Ap Jy Oc	Tracor $0.33	17¼xd	16.9	40c	—	1.4
Ja Ap Ju Oc	Transamerica $1	18¼xd	30.08	$1.84	—	6.2
Fe My Au No	Transworld Corp $5	715p	01.11	20c	—	1.7
Mc Je Se De	TRINOVA Corp.	14¼	11.8	56c	—	2.4
Mr Je Se De	USX $1	14¾	30.10	$1.20	—	4.9
Ag Nv Fb Je	Union Carbide $1	11[illegible]	4.8	$1.50	—	8.2
Mr Ju Sp De	Utd. Technologies	20¼xd	19.5	$1.40	—	4.2
Fb My Ag No	US West	29¼	13.4	$3.28	—	6.8
—	Waste Management $1	21	—	—	—	—
—	Whirlpool $1.0	13¼	—	—	—	—
Mr Je Se De	Woolworth $3½	19[illegible]	09.11	$1.32	—	4.2

CANADIANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
—	AGM Gold Corp	254p	—	—	—	—
—	Abbot Energy Corp.	20p	—	—	—	—
—	Amer. Barrick Res.	949pxd	—	—	—	—
—	Amer. Dalaco	34¼p	—	—	—	—
—	American Lightwave	6½p	—	—	—	—
—	Arrneco	42p	—	—	—	—
—	Augmitto Expln.	45¼p	—	—	—	—
Fb My Ag No	Bk. Montreal	11¼	24.11	$2.00	—	8.0
Ja Ap Jl Oc	Bk. Nova Scot.	546p	23.9	72c	—	6.1
Ap Jy Oc Ja	BCE	15¾	10.9	$2.40	—	7.0
May Nov.	Bow Valley	635p	15.12	40c	—	2.9

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Nov.	May	Prudential	856	12.10	†29.0	—	4.6	—
Nov.	May	Refuge 5p	415	14.9	15.75	—	5.2	—
Jan.	May	Royal	421	28.9	†h15.5	—	5.0	—
—		Sabre Ins. Ins.	87	—	—	—	—	—
April	Oct.	Sedgwick Group 10p	209	14.9	12.0	1.7	7.9	8.9
May	Nov	Steel Burrill J.10p	188	14.9	†9.0	2.0	6.8	10.0
Nov.	July	Stewart Wr. 20p	618	11.5	‡13.0	2.0	2.9	21.9
Mar	Sept	Sturge Hldgs 20p	405	27.7	†86.0	2.5	2.0	26.5
Jan.	July	Sun Alliance	[illegible]	26.10	†23.5	—	3.0	—
June	Nov.	Sun Life 5p	938	28.9	†28.5	—	4.2	—
April		♥Taisho M EDR	[illegible]	25.3	[illegible]	—	1.0	—
Fb My Au Nv		Torchmark $1.00	£16¼	13.09	Q$1.00	—	3.7	—
Nov.	May	Trade Indemnity	348	28.9	14.3	—	1.6	—
Mr Ju Se De		Travelers $1.25	£28⅞	28.7	$2.28	—	6.7	—
—		USF & G Corp $2.50	£18¾	22.08	Q$2.48	—	8.3	—
Dec.	June	USLIFE Corp. $1.0	£18¼	5.8	Q$1.28	3.2	4.3	4.0
June	Nov	Wd Friendly B 10p	645	12.10	21.0	—	4.5	—
May	Nov	Willis Faber 12½p	279	28.9	†10.75	2.4	5.3	10.6
Mar.	July	Windsor Secs. 10p	70	22.12	†0.7	1.5	1.4	—

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

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TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

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MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil"-distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	83	.....	Fin. 13% 97/02	£109¼	.....
Craig & Rose £1	713	+25	Arnotts	200	−15
Finlay Pkg. 5p	89	.....	CPI Hldgs	78	−5
Holt (Jos) 25p	£11½	.....	Carrol Inds.	140	−5
IoM Stm. £1	240	−13	Dublin Gas	40¢	.....
			Hall (R. & H.)	140	.....
			Helton Hldgs.	44	−2
IRISH			Irish Ropes	180	.....
Fund 12¼% 1988	£100⅝	.....	Norish	325	.....
Nat. 9¾% 84/89	£98½	.....	Unidare	338	+38

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	15
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	T&N	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	38
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	58	Brit Petroleum	32
Hanson Tst	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds	75		
Marks & Spencer	22	Cons Gold	125
Midland Bk	45	Lonrho	28
Morgan Grenfell	55	Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

£30m orders for Sunley

BERNARD SUNLEY & SONS has won contracts worth over £30m. Projects include a £2.4m office extension at Stevenage for the Property Services Agency; building 123 homes at Deptford Wharf, London SE8 under a £6.3m contract funded by Paribas Developments for the London Borough of Lewisham; Office and laboratory refurbishment and extensions costing £1.5m for the BBC at Chiswick; 51 private homes at Lavender Dock, London SE16, for Heron Homes (Urban developments); a £2.1m housing renovation project at Fairhazel, London NW6; a county library at Daventry for Northampton County Council; an agricultural show pavilion at Haywards Heath; extensions to British Car Auctions at Blackbushe; and a retail development in Truro for Trustee Savings Bank; together with over £1.3m refurbishment work in London.

The company has started design work on an £8m beach pools complex for the London Borough of Croydon, with construction expected to commence in the New Year.

Office blocks order for Fairclough

FAIRCLOUGH BUILDING has won a further Docklands office development, and a computer centre contract, totalling over £15M.

At Harbour Exchange on the Isle of Dogs the company has followed an earlier £9.5m award with a £12m design and build contract for Hill Charter Developments.

The 73-week project entails constructing two buildings, of six and four storeys respectively. Buildings '4' and '5' will offer a total of 96,000 sq.ft. high-specification office accommodation adjacent to the Docklands Light Railway, with completion expected in December 1988.

Sainsbury store at Portsmouth

JAMES LONGLEY & CO has won £15m worth of contracts, including a £5.5m 57,000 sq ft Sainsbury superstore in Portsmouth, Hants, and a £5.5m aircraft hangar for Dan Air at Gatwick Airport.

At Eton College a two-phase alterations and refurbishment-programme for the existing science block, which was built by Longley in 1959, will provide language laboratories and an audio visual cinema. Under a £420,000 contract for the Historic Building and Monument Commission repairs and modifications are to be made to Battle Abbey Great Gatehouse exhibition and museum rooms.

The project for the Queen Alexandra Hospital Home for disabled ex-servicemen in Worthing, Sussex, involves the construction of a £900,000 60-bed dormitory annexe and ancillary facilities. At the Royal Hospital & Home, Putney, London SW15, the £1.6m second phase of a major refurbishment contract will result in modernisation of the original hospital building while it remains in continuous use.

Two Surrey projects include a three-storey retail and officescheme in Sutton, to be designed and built by Longley for Marshall's Charity, and refurbishment of Beecham Pharmaceutical's premises at Hunter's Chase, Walton Heath. Barclays Bank's branch at Crawley, Sussex, is to be partlyrefitted.

WIMPEY CONSTRUCTION UK has been appointed by Silbec Developments, in conjunction with John Laing Developments and Wirral Borough Council, to conduct the second phase of the Grange Road shopping centre development in Birkenhead. The £15.9m scheme has been partly funded by an urban development grant of £2.75m on which the consortium was advised by Grimley & Sons. The single level development, on piled foundations, will have a steel-framed metal deck with in situ concrete and brick cladding, with some stonework incorporated. It will be linked to the existing precinct with an escalator and scenic lift. Included in the scheme are two major stores, 37 shop units, a central food court with an eating area capable of seating 450 people, and a pavilion with a fountain and clock tower. Linked to the precinct will be a carpark with about 700 spaces on five storeys. Work has started for completion in May 1989.

Hyatt hotel on Aruba

A US$52m Hyatt resort hotel is to be built on the island of Aruba in the Dutch Caribbean. The developer is Ballast Nedam Groep, of Amstelveen, The Netherlands, in co-operation with the Aruban government.

The financial package, arranged by Ballast Nedam, centres on a commercial loan of US$37m provided by a syndicate of five Japanese financial institutions through the agency of C. Itoh. The remainder is being met through equity participation.

The hotel is to be built at Palm Beach, about 4 km from the capital Oranjestad and 6 km from the international airport. Comprised of a nine-storey tower, flanked by two wings of four and five storeys, it will have 360 rooms.

Below the guest rooms will be the public areas, including a casino, ballroom, banqueting rooms, shops, health club and restaurants. Ouside there will be a landscaped pool area with waterfalls. The opening date is scheduled for spring 1990, with construction starting this January.

BALLAST NEDAM in a joint venture with the Japanese construction group **HAZAMA-GUMI** are the builders under a fixed price contract worth about US$40m.

£15.5m bridge at Newcastle

EDMUND NUTTALL has been awarded a £15.5m contract to build Blaydon Bridge and viaduct - contract 2 of the A69 Newcastle western bypass; for the Department of Transport.

The 330 metres long bridge has five spans of twin prestressed concrete box construction. The 108 metre centre span and the two 66 metre side spans will be built in situ by the balanced cantilever method. The approach viaduct is 530 metres long and has 17 spans of welded steel plate girders acting compositely with a reinforced concrete deck slab.

The river bridge piers are founded in tidal waters, and 3,500 tonnes of steel H piles will be driven to depths up to 45 metres to support the bridge and viaduct foundations.

The crossing is six kilometres west of the centre of Newcastle and 500 metres west of the Scotswood Bridge. It will carry the dual two-lane carriageway bypass over the Tyne and over an industrial area, Chain Bridge Road and Newcastle railway. The contract period is 136 weeks.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

NORWAY

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

JAPAN

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices October 30

Sales	Stock	High	Low	Close	Chng
1524	AMCA Int	$9⅞	9⅞	9⅞	
211082	Abitibi Pr	$23½	22	23½	+2½
29695	Agnico E	$20¾	19¼	20¾	+2
61888	Albrta En	$18	17¼	17¼	
7650	Albrta N	$11½	10¾	11	−½
580350	Alcan	$33½	32	33¼	+2¼
235	Algo Cent	$19	19	19	+¼
7169	Algoma St	$15⅞	14½	15½	+1
111227	Asamera	$9¼	7¾	9⅛	+¾
150558	Atco I f	$9⅛	8⅝	9	+⅜
2200	Atco II	$9¼	9	9	+½
15519	Bk BCol	60	58	60	−1
1733	BC Sugar A	$23	22½	23	+⅞
16180	BGR A	$10⅛	10	10⅛	+⅜
13127	BP Canada	$18	17	17⅞	+⅜
100	Banister C	$8⅝	8⅝	8⅝	−⅛
176655	Bk Montl	$27	26⅜	26⅝	+½
128606	Bk NScot	$13¼	12¾	12¾	
351655	Bell Can	$37	36⅛	37	+1¼
134514	Bow Valy	$15	14⅛	14⅛	
13000	Bralorne	165	150	165	+25
1400	Bramalea	$20½	19¾	20	+1
95860	Brascan A	$26¼	25½	26	+¾
75080	Brlwater	$5⅛	480	490	+15
400	Brenda M	$11⅛	11⅛	11⅛	+⅛
41882	BC ForP	$16⅞	16	16½	+¾
134175	BC Res	97	92	94	+4
15768	BC Phone	$24⅞	24½	24⅞	+½
700	Brunswk	$11¼	11¼	11¼	+¼
46052	CAE	$8	7½	7¾	+½
20700	CCL B f	$7¾	7⅜	7⅝	
850	CIL	$26¾	26¼	26½	+¼
5020	Cad Frv	$33¾	33⅜	33¾	+¼
7550	Cambridg	$21	20	20½	+1¼
12400	Camp Res	195	192	195	+5
7850	Camp Soup	$17	16¼	16½	−⅛
212390	Campeau f	$16	14¾	15	+1
1100	CCem ex p	$14⅛	14	14	+⅜
298200	CDC f	$10¼	9	9¾	+⅜
400	Can Malt	$20¾	20¾	20¾	+¾

Sales	Stock	High	Low	Close	Chng
19500	Comput In	210	210	210	+5
4700	Comterm	50	50	50	
119500	Con Bath A	$15¼	14½	15¼	+1
2300	CDistb B f	$5¼	5⅛	5⅛	−⅛
4320	Cons Gas	$23⅞	23½	23¾	+¼
11700	Con Glass	$18½	18½	18½	+½
100	CTL Bank	320	320	320	+10
7000	Conwst B	$11	10	11	+2
3800	Corby	$16½	16½	16½	+¾
17544	Costain Ltd	$8¼	8	8	
16500	Coseka R	61	58	61	+1
21340	Crownx	$11	10⅛	10¾	+¾
179300	Crownx A f	$5½	5	5⅜	+⅜
2250	Czar Res	136	135	135	+10
15550	Denison A p	$5½	5¼	5½	+¼
38300	Denison B f	$5	5	5	
10100	Dicknsn A f	$8⅝	8¼	8½	+⅝
3800	Dicknsn B	$11½	10	11½	+2½
83836	Dofasco	$22½	21¾	22⅛	+½
138700	Dome Pete	85	80	85	+5
2723	D Textile	$15¾	15	15¾	+½
214821	Domtar	$14	13¼	13½	+½
8350	Donohue	$29	28	28½	−½
1300	Du Pont A	$25	24	24½	+1
51492	Dylex A	$8½	7¾	8	+½
100774	Echo Bay	$25	23⅝	25	+1⅞
21900	Emco	$12¾	12¼	12¼	+¼
2800	FCA Intl	$10½	9½	10½	+1½
347930	Fcnbrdg	$19	18⅜	18¾	+1
13447	Fed Ind A	$12¾	11⅞	12⅜	+1⅛
4400	Fed Pion	$9	8¾	9	+1
7300	FCity Fin	$14	13½	14	+½
10	Ford Cnda	$140	140	140	
22800	Gandalf	$7⅝	7⅛	7½	+⅝
3000	Geac Comp	165	155	165	+10
5632	Gendis A	$13¾	13	13⅜	+⅛
500	Giant Yk	$20¾	19	20¾	+1½
200	Glbrltar	$8¾	8¾	8¾	
30425	Goldcorp f	$8	7	7⅜	+⅞
1900	Grafton A f	$11	11	11	
9800	GL Forest	$42	39	41	+2
875	Gt Pacific	$44	44	44	
1300	Greyhnd	$19½	19¼	19¼	−¼
200	Hawker	$19½	19½	19½	+½

[illegible]

MONTREAL

Closing prices October 30

[illegible]

F—No voting rights or restricted voting rights.

OVER-THE-COUNTER

Nasdaq national market, Closing prices October 30

Continued from Page 45

[illegible]

Indices

NEW YORK

DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

TRADING ACTIVITY

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

[illegible]

Closing prices, October 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¾	9¾	AAR s	.36	2.0	20	857	u19	17⅞	18⅞	+⅞
32½	17½	AFG s	.16	.6	9	2806	25	23⅝	25	+1⅜
27	10½	AGS s			14	996	17¼	15¼	16¼	+2⅜
10½	6¾	AMCA				40	7½	7¼	7½	+⅜
9⅜	3¼	AM Intl			39	2245	4⅜	4¼	4¼	+¼
65½	29½	AMR			10	13847	35⅜	33¾	35¼	+2¾
27½	24⅞	ANR pf	2.67	10.		3	26	26	26	+1
25	19	ANR pf	2.12	11.		3	u25¾	19¾	19¾	+⅛
12¼	6⅜	ARX s			7	525	7¼	6⅞	7¼	+¼
73½	34⅜	ASA	2a	4.3		1327	46	42¾	46	+3
22⅜	9½	AVX			16	1270	14½	12⅝	14½	+2⅞
67	40	AbtLab	1	2.0	19	8024	52¼	48¾	49¾	+1¼
28	15⅜	Abitibi g				684	18⅝	18⅛	18⅝	+2⅜
18¾	9	AcmeC	.40	3.6	11	186	11¼	10	11	+1¼
10½	6⅛	AcmeE	.32b	4.2	26	95	7⅝	7½	7⅝	+⅛
23⅞	16½	AdaEx	3.30e	17.		149	18⅞	18	18⅞	+1⅛
19½	7¾	AdmM s	.24	2.7	7	125	8⅞	8¼	8⅞	+⅝
35	13⅞	AdvSys			17	591	25½	24¾	25⅜	+⅜
24⅞	9½	AMD				9835	13	11⅝	11½	−⅝
56¾	30½	AMD pf	3	8.7		432	35½	34	34½	+½
11⅞	4¾	Adobe				614	5⅝	5½	5⅝	+⅜
20½	15	Adob pf	1.84	11.		52	17⅞	17¼	17¼	−⅜
21⅞	17	Adob pf	2.40	13.		2	18⅛	19⅛	18⅛	−⅛
15	6⅛	Advest	.12a	1.5	6	1113	8	7½	7¾	+⅜
68¼	46	AetnLf	2.76	5.4	7	5321	52	50⅞	51⅛	+⅜
83½	30⅜	AflPb s	.32	.6	8	653	53½	52¼	53	+2½
28⅞	15	Ahmans	.88	5.4	7	3271	16¾	16	16¼	+⅛
5⅜	1¾	Aileen				249	2⅜	2⅛	2⅜	+¼
53⅞	29	AirPrd	1	2.9	12	2678	34⅜	33⅜	34	+¼
36	11½	AirbFrt	.60	4.4	8	865	13¾	12⅞	13¾	+1
16½	7⅜	Airgas n			16	180	11¼	10½	11¼	+1
19⅞	13½	AirleaseB	.11e	14.	9	62	15½	15⅛	15½	+⅛
15-32	¼	AlMoan			17	30	11-32	11-32	11-32	−1-32

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]										
58¼	52½	Xerox pf5.45		10.		63	54	53⅝	53⅞	
31½	18¾	XTRA	.64	2.7	19	145	24	22¾	23⅜	+⅜
28¼	19½	XTRA pf1.94		8.8		8	22	21½	22	+1
33⅞	18⅛	Yorkn			9	534	22½	20	22¼	+2¾
7¼	2¼	Zapata				618	3½	3	3¼	+¼
37	14⅝	Zayre	.40	2.2	7	5240	19⅞	18½	18½	+⅜
18⅛	9½	Zemex	.40	3.8	7	52	10⅝	9⅞	10⅝	+1
33⅝	10	ZenithE				4884	14⅞	13¼	13½	+¾
13½	3⅛	ZenLab				1934	4⅝	4	4⅜	+⅜
28½	13½	ZeniNt	.80	5.1	8	298	15¾	15¼	15¾	+⅜
20⅝	11⅝	Zero	.36	2.7	13	188	13¼	12⅝	13¼	+¾
30¾	15	Zurnin s	.68	3.2	14	1026	22½	19	21	+4
10⅝	7⅞	Zweig	.85e	7.4		1086	8⅞	8⅝	8¾	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading-day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year. omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, October 30

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, Closing prices, October 30

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 43

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Fears of a recession depress dollar and interest rates

INDIVIDUAL ECONOMIC news has played little part in deciding the direction of financial markets over the last month.

UK bank lending figures were disappointingly high in September, showing an alarming rise of $4.4bn, but were virtually ignored

The UK trade figures for the same month were surprisingly good, recording a current account deficit of only £55m, but this would hardly account for sterling's rise to a five-year peak against the dollar, and a gain of around 10 cents on the month.

The pressure for a cut in UK bank base rates is also not a reflection of domestic events, but much more a view of the world economic situation.

Underlying the weakness in equity markets, coupled with the failure of precious metals to gain from this and the depressed state of the dollar, is the fear that the US will lead the rest of the world into recession.

Economists generally regard the US deficits on trade and the budget as unsupportable. President Reagan has resisted an increase in taxation to reduce the budget deficit, ahead of next year's presidential election.

Trade surpluses in West Germany and Japan widened again in September after shrinking in August, and the US trade position now looks as bleak as ever.

On Friday it was announced that the Japanese current account surplus widened to $8.38m in September, from $5.31bn the previous month, and that the trade surplus rose to $8.85bn rom $6.21bn.

British merchant bank, Morgan Grenfell, recently forecast a slowdown in US economic growth to the extent that gross national product growth will be zero in the fourth quarter of this year and the first quarter of next.

The resulting recession should then produce a reduction in the trade deficit, as fewer imports are sucked into the US, and also maintain the downward pressure on interest rates.

Little economic news is expected this week. Attention is likely to centre on the speech at the Mansion House in London by Mr Nigel Lawson, the UK Chancellor, and on the result of the US Treasury refunding auctions on Tuesday, Wednesday, and Thursday.

The key question to be answered will be the level of Japanese demand at the auctions, against a background of uncertainty about the dollar and the twin US deficits on trade and the budget.

Other economic news involves today's US contruction spending for September. This is expected to rise 0.1 p.c. according to Phillips and Drew, be flat on the forecast of Morgan Grenfell, and rise 0.2 p.c. as estimated by Money Market Services.

Factory orders, also released today, should rise 0.8 p.c. to 0.9 p.c.

But the most important statistic will be US unemployment for September on Friday. The rate of civilian unemployment is forecast to remain at 5.9 p.c.

Non-farm payrolls will rise 195,000 according to Phillips and Drew, 200,00 on the forecast of Morgan Grenfell, and 285,000 as estimated by Nomura Research Institute.

It is unlikely these figures will have much impact on the dollar. Dealers will listen for any sign of discord among finiancial leaders about monetary policy and the future of the dollar.

They will also take a view on the US economic scene to see if there is any sign of improvement. If not the dollar will come under further pressure.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
106	14.40	14.47	0.00	0.09
108	12.40	12.54	0.00	0.16
110	10.41	11.01	0.01	0.27
112	8.42	9.19	0.02	0.45
114	6.47	7.45	0.07	1.07
116	4.60	6.15	0.20	0.45
118	3.21	4.61	0.45	2.23
120	2.03	3.53	1.27	3.15

Estimated volume total, Calls 3372 Puts 1193
Previous day's open int: Calls 40038 Puts 29616

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
70	17.06	16.13	0.00	0.05
72	15.06	14.19	0.00	0.11
74	13.06	12.27	0.00	0.19
76	11.07	10.41	0.01	0.33
78	9.09	8.62	0.03	0.54
80	7.16	7.27	0.10	1.19
82	5.30	6.02	0.24	1.58
84	3.90	4.51	0.44	2.43

Estimated volume total, Calls 183 Puts 122
Previous day's open int: Calls 2656 Puts 2050

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Nov	Puts-Last Dec
17000	11.62	16.03	6.22	10.63
17250	10.25	14.75	7.35	11.85
17500	8.98	13.55	8.58	13.15
17750	7.83	12.42	9.93	14.52
18000	6.80	11.36	11.40	15.96
18250	5.86	10.37	12.96	17.47
18500	5.03	9.45	14.63	19.05
18750	4.29	8.60	16.39	20.70

Estimated volume total, Calls 0 Puts 2
Previous day's open int: Calls 64 Puts 166

£ IN NEW YORK

Oct.30	Close	Previous Close
£ Spot	1.7215-1.7225	1.7205-1.7215
1 month	0.32-0.31pm	0.32-0.29pm
3 months	0.71-0.68pm	0.70-0.65pm
12 months	2.13-2.03pm	2.00-1.85pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1564	+1.64	+0.89	±1.5344
Danish Krone	7.85212	7.96291	+1.41	+0.66	±1.6404
German D-Mark	2.05853	2.06145	+0.14	-0.61	±1.0981
French Franc	6.90403	7.01284	+1.58	+0.83	±1.3674
Dutch Guilder	2.31943	2.32061	+0.05	-0.70	±1.5012
Irish Punt	0.768411	0.778539	+1.32	+0.57	±1.6684
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
YEN	4.197	7.228	12.49	1000.	42.44	10.34	14.04	9208	9.505	261.3
F Fr.	0.989	1.703	2.942	235.6	10.	2.435	3.308	2169.	2.239	61.56
S Fr.	0.406	0.699	1.208	96.75	4.107	1.	1.358	890.9	0.920	25.28
H Fl.	0.299	0.515	0.889	71.23	3.023	0.736	1.	655.8	0.677	18.61
Lira	0.456	0.785	1.356	108.6	4.610	1.123	1.525	1000.	1.032	28.38
C $	0.442	0.760	1.314	105.2	4.466	1.087	1.477	968.8	1.	27.49
B Fr.	1.606	2.766	4.779	382.7	16.24	3.956	5.373	3524	3.638	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	2 mths	6 mths	12 mths
US Dollar	1.7220	1.7189	1.7151	1.7085	1.7010
D-mark	2.9750	2.9606	2.9360	2.9026	2.8489
French Fr.	10.113	10.112	10.104	10.009	10.111
Swiss Fr.	2.4625	2.4491	2.4293	2.3971	2.3364
Yen	238.25	237.21	235.39	232.58	227.78

LONDON

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

	Close	High	Low	Prev.
Dec	1.7190	1.7230	1.7050	1.7125
Mar	1.7140	1.7205	1.7020	1.7085
Jun	1.7070	1.7105	1.6975	1.7025

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	1.7187	1.7135	1.7100	1.7225
Mar	1.7177	—	—	1.7180
Jun	1.7080	—	—	1.7147

Estimated volume 150 (33)
Previous day's open int. 271 (280)

MONEY MARKETS

Bank resists base rate pressure

UK clearing bank base lending rate 9½ per cent from October 26

INTEREST RATES fell back sharply in London last week, in reaction to the loss of confidence in equity markets and the weakness of the dollar.

Falling interest rates was a general trend in many major financial centres.

The US Federal Reserve intervened to add liquidity to the New York banking system about an hour an a half earlier than usual on several days, in an attempt to restore some confidence to the markets.

In Frankfurt the West German Bundesbank allowed call money to fall below its normal floor level on Friday, and it is generally expected that the tender rate on securities repurchase agreements will be cut to 3.60 p.c. this week from 3.80 p.c.

At one time it was confidently predicted that UK bank base rates would be reduced to 9 p.c. from 9½ p.c., but the Bank of England resisted any move.

In spite of large money market shortages on Thursday and Friday the authorities did not operate in the market during the morning sessions, as a signal not to cut base rates.

Discount houses offered bills to the authorities at unacceptable rates, which would have triggered an immediate reduction, and were told to come back in the afternoon with a better suggestion.

There was a general reluctance of the houses to sell bills to the Bank of England at existing dealing rates, suggesting the market still believes lower base rates are only a matter of time.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 30) 3 months US dollars		6 months US Dollars	
bid 7½	offer 7⅝	bid 7½	offer 7⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	9	One month	4.22	Three year	7.91
Broker loan rate	8-8½	Two month	4.76	Four year	8.16
Fed.funds	6⅞	Three month	5.39	Five year	8.30
Fed.funds at intervention	6⅞	Six month	6.19	Seven year	8.63
		One year	6.74	10-year	8.85
		Two year	7.57	30-year	9.04

October 30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	2.00-3.00	3.65-3.80	3.70-3.90	3.80-4.00	4.00-4.20	5.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7½

LONDON MONEY RATES

[illegible]

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Financial Times, Bracken House,
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HACHETTE

The Board of Directors of HACHETTE S.A. met on October 28, 1987 to draw up the results of the Company as at June 30, 1987.

The current operating profit before capital gains and losses reaches 119.7 million francs against 111.2 in 1986. After capital gains and losses, it amounts to 155.6 million francs against 140.4 million francs.

The consolidated results, which truly reflect the situation of the GroUp, will have increased by about 15% in 1987 and should reach around 250 million francs for the Group share as opposed to 216 million francs in 1986 before capital gains and losses, and around 300 million francs after capital gains and losses.

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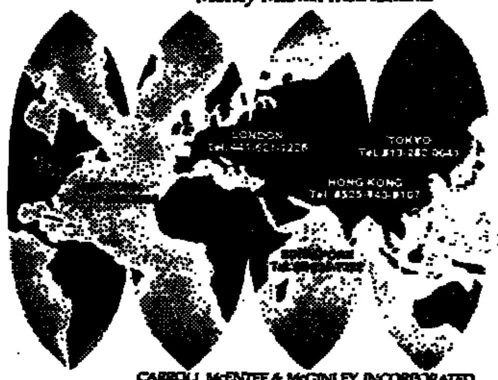

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THE PROSPECTS FOR THE ADR BUSINESS

A highly distinguished and expert group of speakers has accepted the invitation of the Financial Times and NASD (The National Association of Securities Dealers) to address "The Prospects for the ADR Business" in London on 11 and 12 November. This forum has much significance for the corporate sector in the United Kingdom and Europe, as well as for bankers and analysts. The sponsors believe it well worth attending, even in the light of recent Stock Exchange experience, since the conference is devoted to what will, in practically any conceivable circumstances, be an important feature of company strategy.

The speakers include Mr Joseph Hardiman, NASD, Mr James Davin, The First Boston Corporation, Mr Charles Symington, S. G. Warburg & Co Inc, Mr Graham Whitehead, Jaguar Cars Inc, Mr Bryan Gould, MP, Shadow Secretary of State for Trade and Industry, Mr Ralph Marinello, Vice President, ADR Department of The Irving Trust Company, Mr Tim Rosen, Managing Director of Catalyst Communications and Mr Tim Oldfield, Vice President, ADR Department of Citibank NA.

WORLD ELECTRICITY CONFERENCE

Sir Philip Jones, Chairman of The Electricity Council, and Mrs Helga Steeg, Executive Director of the International Energy Agency are to chair one of the most important ever Financial Times energy conferences "World Electricity" in London on 16 and 17 November. France is powerfully represented by M Pierre Delaporte and M William Varoquaux of Electricité de France. Mr Donald Miller, Chairman of the South of Scotland Electricity Board, and Dr I. C. Bupp of the Cambridge Energy Research Associates (USA) are among the other major contributors. Mr Christopher Johnson, Head of Economics at Lloyds Bank, and a distinguished analyst of the energy scene, will be speaking on Britain's privatisation plans, as well as Mr Andrew Warren, Director of the Association for the Conservation of Energy.

CIVIL AVIATION IN THE PACIFIC BASIN

The Pacific Basin, civil aviation's fastest growing air transport arena, is the subject of the Financial Times conference to be held in Singapore on 25 and 26 January 1988. The rapid growth in the region is already imposing strains upon the airlines, airports and the aviation infrastructure overall. It will generate a massive demand for new aircraft and the money with which to buy them for many years to come. The aim of this '88 conference is to define these problems and indicate possible developments and solutions.

Contributors to the debate include Sir Colin Marshall, British Airways, Dr Cheong Choong Kong, Singapore Airlines, Mr Frederick Bradley Jr, Citibank NA, Mr Michael Jones, HongkongBank Group, Mr James Chorlton, Boeing Commercial Airplane Company and Mr Gareth Chang, McDonnell Douglas China Inc. The conference has been timed to precede the Asian Aerospace '88 Exhibition, which will be held at Singapore Changi Airport, 27-31 January.

All enquiries should be addressed to:

The Financial Times Conference Organisation
Minster House, Arthur Street, London EC4R 9AX
Tel: 01-621 1355 (24-hour answering service)
Telex: 27347 FTCONF G - Fax: 01-623 8814

THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 30th October 1987, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

£200 million 9 per cent TREASURY LOAN, 1994
£200 million 10 per cent TREASURY STOCK, 2001
£200 million 8¼ per cent TREASURY LOAN, 2007

The price paid by the Bank on issue was in each case the middle market price of the relevant Stock at 3.30 p.m. on 30th October 1987 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 30th October 1987, and has issued to the National Debt Commissioners for public funds under their management, additional amounts as indicated of each of the following Stocks:

£150 million 10 per cent TREASURY LOAN, 1993
£100 million 10¼ per cent CONVERSION STOCK, 1999

In each case, the amount issued on 30th October 1987 represents a further tranche of the relevant Stock, ranking in all respects *pari passu* with that Stock and subject to the terms and conditions applicable to that Stock, and subject also to the provision contained in the final paragraph of this notice; the current provisions for Capital Gains Tax are described below.

Application has been made to the Council of The International Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 9 per cent Treasury Loan, 1994 dated 17th July 1969, 10 per cent Treasury Stock, 2001 dated 11th October 1985 and 8¼ per cent Treasury Loan, 2007 dated 11th July 1986 may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA. The Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below.

Stock	*Redemption date*	*Interest payment dates*
9 per cent Treasury Loan, 1994	17th November 1994	17th May 17th November
10 per cent Treasury Stock, 2001	26th February 2001	26th February 26th August
8¼ per cent Treasury Loan, 2007	16th July 2007	16th January 16th July

The further tranche of 9 per cent Treasury Loan, 1994 has been issued on an ex-dividend basis and will not rank for the interest payment due on 17th November 1987. The further tranches of 10 per cent Treasury Stock, 2001 and 8¼ per cent Treasury Loan, 2007 will rank for a full six months' interest on the next interest payment date applicable to the relevant Stock. Official dealings in the Stocks on The International Stock Exchange are expected to commence on Monday, 2nd November 1987.

9 per cent Treasury Loan, 1994, 10 per cent Treasury Stock, 2001 and 8¼ per cent Treasury Loan, 2007 are specified under paragraph 1 of Schedule 2 to the Capital Gains Tax Act 1979 as *gilt-edged securities* (under current legislation exempt from tax on capital gains, irrespective of the period for which the Stock is held).

Government statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

30th October 1987